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# Consumer Education Resource Materials

## Part 1: Credit



Ministry of  
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Ontario



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## Introduction

This Consumer Studies Kit is a direct result of discussions with educators in Northwestern Ontario. Its intention is to help you equip students to live full and useful lives, using their earnings, their credit and the marketplace as tools with which to achieve their aims.

Any thought, however brief, that students can be stimulated into giving to personal values, planning how to achieve an aim or develop a talent, or where and how to spend their money will be helpful later. The education you are providing can help reduce the need for additional consumer protection laws. Any legislation is a restriction of personal freedom, yet it is often necessary to reinforce the balance in the marketplace.

In preparing this material, we have not tried to dwell on the different kinds of rip-offs that perennially appear, nor do we wish to help send a shrewd, fearful, 'me first' graduating class into the marketplace. Rather, we hope they will see themselves as competent persons who can function effectively. And the marketplace, let it be seen as 'a rich and friendly resource, with a few danger spots around the edges.'

That is a quote from Fred T. Wilhelms, Ph.D., editor of The Consumer Educator. He has called Consumer Studies one of the humanities and suggests:

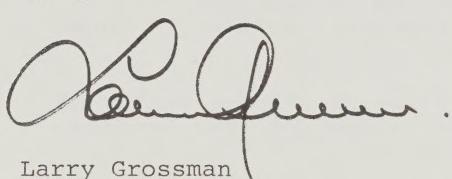
"While you are building your students' foundation of competence in buymanship, you can very naturally and with relative ease build also a superstructure of terribly important knowledge, insights, and attitudes. I have divided this superstructure into three areas:

1. You can help your students toward a rich image of the personal and family life they want to work toward, the values they mean to live by, and the commitments they will not forsake.
2. You can help your students toward a working familiarity with their economic system as it really is, along with developed values and commitments as to what they want to see it be and do.

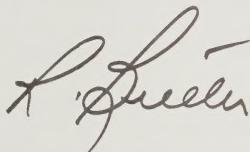
3. You can help your students toward a working acquaintanceship with the processes of government as they really work and with some of the major governmental institutions; even more important, you can help them work through to the beginnings of a social philosophy, a set of values and commitments they will push for as citizens."

As you can see, we feel that Consumer Studies is probably one of the most worthwhile courses you will teach. Putting this kit together has been an enriching and rewarding experience for all of us at the Ministry. Many of us met many of you. We found lively, interested people, working to keep courses up to date. We hope this Kit will be an 'encyclopedia of information' from which you can pull the facts and idea-starters you may need.

We are working now to develop information on other topics, but we need your input. Please keep in touch. Let us know how you are using this Kit and what you might like to see added so that it can be a useful tool for your work.



Larry Grossman  
Minister



R. J. Butler  
Deputy Minister

Please address any correspondence to:

Consumer Information Centre  
Communications Services Branch  
Ministry of Consumer and  
Commercial Relations  
555 Yonge Street  
Toronto, Ontario  
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## How to Use This Kit

1. This section is broken into sub-sections such as Sources, Costs, Guidelines and Laws.
2. There is an index at the beginning for easy reference.
3. Projects and Topics for Discussion are included and are designed to provide situations students can encounter and work their way through.
4. Where applicable, blank forms have been included for use in class. You may wish to copy them for distribution or use them as overheads.
5. Extras such as audio visuals, graphs and tables have been noted at the end of the Index.
6. Where possible, lists of books have been included which may help students see topics from new angles.
7. The illustrations on most coloured dividers may be used as overheads.
8. The looseleaf style is used to let you pull information from several sections when planning a lesson.
9. Information is given in point form so you can skim it quickly, use pages for notes when teaching, use them as overheads, or copy them for passing to students.
10. Only the facts have been provided so that you and your students can draw your own conclusions.

The Kit has been divided into 5 parts: Credit, Transportation, Money, Housing and Insurance. Copies of these other parts are available by writing to:

Consumer Information Centre  
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555 Yonge Street  
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Teachers may order limited class sets of the brochures published by the Ontario Ministry of Consumer and Commercial Relations - please check below. You may note government publications required in the spaces provided. We will forward your request to the office involved.

Books listed in the Reference and Bibliography sections must be ordered from the publishers, whose names are provided. A nearby library may have many of these books available, or may be willing to order them for your use.

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SUPPLEMENTARY MATERIAL

See Audio Visual #0-7-1, The Credit Squeeze  
Brochures and Booklets enclosed

# What?



What?



# Credit

Credit is a form of gambling. You are betting on your future, and someone else is betting on you.

Whether you are a large business borrowing millions of dollars to produce goods for sale, a government borrowing to obtain goods and services, or an individual borrowing to pay for a car, house, vacation or everyday needs, you are using your good standing or 'credit' of today to get something which you will pay for tomorrow.

All credit transactions work in the same way. You sign a note and you pledge something of value (called security or collateral) or your personal reputation to the person making the loan. When you pay back the loan (plus the cost of the loan) you get your 'something of value'. If you don't pay back the loan, the lender can sell what they have been holding to recover all or part of the money they lent you. And it goes on record ... your record.

## Or, You Could Say...

As the salesclerk to the man who has bought a mink coat for his wife, "How do you want to pay for it? In a series of piddling little amounts, or in one staggering sum?"



# You Earn Credit



# The Three C's

You earn money by working for it, and you earn credit in the same way -- by working at being a reliable person. Your use of credit is a personal thing. It is based on your trust in yourself, and another person's trust in you. To decide whether or not to trust you, a lender takes into account three main points about you:

- |            |   |
|------------|---|
| Character  | Whether you are an honest person who will feel the necessity to repay debts.  |
| Capability | Whether you have the ability to earn the amount of money involved, to manage it wisely enough to pay for everyday expenses (including entertainment) as well as repaying the amount borrowed.   |
| Capital    | Whether you have anything of value, be it actual money in the bank, a car, house, stocks, bonds or other investments. Capital could also be training for a type of work, education which will let you get a job, or your present job. |

## **It All Adds Up to Confidence**

The lender's confidence in you to repay, and your confidence in yourself to control your spending so you can repay. The control is always in your hands. You decide how much you should borrow. No one can force you into signing anything. You control the amount of your payments and the distribution of the money which you have coming in. Since you have the control, however, you also have the responsibility to deal wisely with yourself and others. Dealing responsibly could be one of the ways you build confidence in yourself as a person.

Root word: Credere. Latin: I believe  
(To trust, have faith in, to respect or to hold in esteem and honour.)

# What's Your Excuse?





# The Objectives/Role of Credit

## Mass Production

Encourages and makes possible mass production and mass consumption -- thus stimulating the economic growth of the country.

## Better Standard of Living Today

Allows people to enjoy necessities and luxuries today by paying for them out of tomorrow's earnings.

## Emergencies

To meet without undue hardship unexpected expenses caused by illness or death.

## Better Future

To budget the use of present earnings, as in the case of a travelling salesman who buys a car, or a student who borrows to go to school. Such long range planning is a form of 'forced saving'. It helps people to discipline themselves and ensure that they may have security; such as a home or retirement plan.

## Convenience

Some people prefer to charge items rather than carry large sums of money.

Some use credit because they are afraid they might not replace their savings if they spend them.

Others use credit to help them take advantage of sales opportunities, price reductions, and to buy more lasting goods.

### Discipline

Credit is a financial discipline. It can enhance the well-being of a person, depending on the skill and wisdom they bring to its use.

### Impatience

People want goods and services now. Credit helps them get these things.

### A Financial Tool

Credit can be the way you achieve your aims in life if you take the time to understand it and use it wisely.

## Four Major Types of Credit

1. Consumer Credit      Used by individuals to buy now, pay later.
2. Service Credit      Used to pay for services like the telephone, electricity, heating oil and dentist's bills.
3. Business Credit      Used by firms to produce goods, improve facilities, etc.
4. Public Credit      Used by government to obtain goods and services to be repaid through taxes.

# **Discussion Topics**



## **Types/Kinds of Consumer Credit**

How can the use of these credit sources affect the lives of individuals? How do they encourage impulse buying?

- \* Revolving and Charge Accounts
- \* Acceptance and Conditional Sale Contracts
- \* Straight Cash Loans
- \* Credit Cards
- \* Other

## **In What Way is Credit Like a Poker Game?**

In using credit, you are betting on the cards you hold in your hand, but you don't have to bluff anybody and you don't have to gamble on what the other person is holding. If you've been careful to deal with a responsible firm, he tells you what's in his hand. You can lay all your cards on the table, let him see what you are holding and what you can do.

So, credit is like gambling on your future, but you can control many elements of the deal. You can find out exactly what it will cost you, how much your payments will be. You can control your own spending so that you have enough to make the payments. And you can run your life so that credit does not run it for you.

## What? No Credit???

One way of deciding the role of credit could be to talk about how things would be without it.

The first credit source you would lose would be charge accounts. You would save or plan before buying a new dress or suit or even a sweater. Then, when you shopped for it, you wouldn't be able to pay even \$1 more than you had in your pocket that day. If the seller said they would trust you for it until you went home to get the money, that would be credit.

Then, you would have to have enough money to pay the dentist when you went to see them.

How would you pay telephone, gas, oil and electricity as you used it? Paying in advance would be trusting the company to supply the service after you paid them ... or giving them credit.

How long would it take you to save enough money to buy a car? Then what if you wanted a snowmobile or boat.

You could save for 20 years before buying a house, or, you could build your own, but you would have to pay for the lumber and everything else it takes to build a house. Of course, you could always go and cut down the trees yourself.

You would be pretty busy. Is such a way of life possible today? What do we give up in order to live the way we do now? What would you give up to live without credit?

## **Times Haven't Changed**

Credit has always been a part of the way people trade with each other. The only difference is, now we write it all down. Way back, if one man said to a woodcutter, "Bring firewood to my house every day and I will pay you for it," he was using his credit.

If the woodcutter trusted him, he went out to the forest, cut the wood, and brought it to the man's house because he knew he would be paid.

## **"Creditability"**

If Queen Isabella had said to the shipbuilders, "Give this man a ship so he can sail around the world for me," Columbus would have been sent to discover the New World on credit. In fact, she didn't. She hocked the crown jewels. Maybe her credit wasn't as good as it should have been. Or maybe no one trusted that hairbrained scheme enough to give out their hard-earned money and materials even on the Queen's word that the world was round.

The fact that neither the U.S. nor Canada has many Spanish settlers in their history is a good indication that even the Queen thought Columbus' voyage wasn't too successful. Lucky for those shipbuilders that they got their money in advance.

## **Values**

Manhattan Island was bought for cash, but prices were a lot lower in those days. Even Manitoulin Island would probably be bought on credit today. Perhaps we value land more today, if money is our way of keeping score.

\* Discussion may bring out other values that affect the use of credit.

(Personal goals, family goals, is living day to day enough?)

## **The Basic Deal**

A credit transaction is so simple. It is just one person lending another some money, and the second person repaying. What are the points in this transaction where trouble can occur?

The Lender      Reputable?

The Borrower.    Ditto?

The Goods.      Durable? Are they important to you? To  
                      your future?

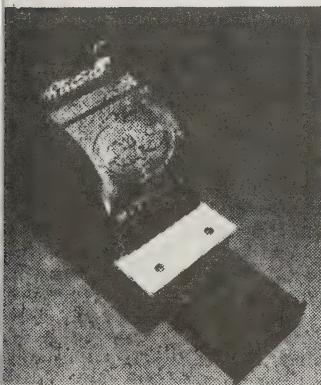
The Contract.    Is it fair?

The Interest.    Does it raise the price beyond the article's  
                      value to you?

This article is reprinted in part from the Canadian Consumer, a publication of the Consumers Association of Canada. It is a useful discussion-starter on "Where Are We Headed?"

# THE CASHLESS SOCIETY

## CHEQUES, MONEY SOON OBSOLETE



by Carole Uhlener  
and Mark Krasnick\*

Technology is entering our economic sphere in a manner that can have far-reaching effects on purchasing procedures and consumer rights. In fact, the impending innovations can radically affect our entire behaviour.

Imagine a department store of the not-too-distant future. You come in straight from work on payday, see a \$700 bedroom set you like, and find a salesman. You decide to buy the set and hand the

salesman a plastic card. He places your card in a machine that looks like a computer terminal, punches in the price, announces that you don't seem to have enough money in your bank account to cover the purchase price, and asks whether he may check your credit rating to see if you can buy the furniture on credit. You know that the only money in your account was your two-week salary of \$600 which had been automatically deposited by your employer earlier that day, so you agree to the credit check. It turns out that you have \$300 authorized credit left, so you tell the salesman that you will pay \$400 now, and use your credit for the rest. He punches the particulars into the machine and, in a matter of seconds, your account has been reduced to \$200, the store's account has increased by \$400, you have no preauthorized credit left, and it has been established that you owe the department store \$300. The entire process has taken less time than it takes now to get a cheque authorized for store payment.

In a similar scene today your pay cheque would be in your pocket. If you write a cheque for your purchase, the clerk would examine your identification and note your address and telephone number, and you would hurry to the bank to deposit your pay cheque and to transfer \$100 from somewhere else into your chequing account. Or you might use a credit card, if you had one the store accepted, which of course means that sometime before you had filled out an application and waited for the card agency to complete a credit check on you. Or you could make an application for credit on the spot — and wait until they decided whether or not to grant it. Or you could use the race-track winning in your pocket to pay the store \$700 in cash. Of course, most people who buy on credit end up paying their bills by cheque.

The technological change responsible for the difference between the present and future scenes is called an Electronic Payments System (EPS). This system will let us transfer money from one

\*Ms. Uhlener is working on a Ph.D. in Political Science at Harvard University. Mr. Krasnick is an officer with the Law Reform Commission of Canada.

person to another by using electronic signals, instead of pieces of paper (cash, cheques, charge slips). Because the electronic system uses signals on wires, it allows almost instant communication between merchants, customers and financial institutions. Because it is an automated electronic system, it can provide instant information and reduce the time and manpower necessary to take care of our transactions. What would these changes in the present payment system mean to the consumer in the marketplace? And what magnitude of change are we talking about? One type of change that may occur stems directly from the technical characteristics of EPS.

### **Instant Cheque and Credit Checking**

Instead of relying upon printed, and therefore old, lists of persons whose credit has been revoked or exhausted, a merchant can plug into the network to ask for an immediate, up-to-the-minute assessment of a customer's credit standing. Of course, the merchant may merely receive a yea or nay reply to granting credit, while the details of his customer's finances remain private. When our rejected customer tries again by presenting the merchant a cheque, he can once again plug into the network to find out if the account exists under the customer's name and, if it did, whether there were sufficient funds in it to cover the cheque. Of course, life would become much more difficult for card and cheque thieves and thus the cost of chequing privileges should be reduced. It also means consumers will have to be more aware of their financial status before writing cheques.

### **Instant Debiting**

An electronic payment system would allow immediate debiting of the consumer's account at the time of purchase. This would eliminate the current problem of accounts that might have been substantial when the cheque was written, but had exhausted due to withdrawal or to cover other cheques in the

time it took the cheque paper to reach the bank. However, it also eliminates an important privilege of cheque-issuing customers—that of asking their bank to "stop payment" on a cheque. This has been an effective recourse against a faulty product or delinquent service.

### **Instant Crediting**

This is the other side of instant debiting. The EPS could electronically transfer, immediately, money from your account to your merchant's account, giving him instant cash. Employers could use EPS for instant wage payments. The paper work and delay involved in being paid by cheque would be greatly diminished, and payroll robberies would be a thing of the past.

But this benefit too has a very real cost. For many consumers are affected by garnishments and wage liens. While the law allows that an employer may not withhold all of a wage payment, once the money is automatically deposited in the bank, a different set of rules applies and there is no way to distinguish wages from other moneys in the account. The wage earner then loses control of his earnings, and may have his entire salary seized.

The approaching changes in our payment system will have legal implications and, therefore, in order to discuss some of the other changes that might come with the adoption of an EPS system, and the policies that will have to be decided, we must go into more detail on the legal structure of the payments system we now have.

### **Debit Float**

In an electronic system, deposit institutions such as banks would no longer have to credit accounts before they have actually received the money to cover them. In our present, paper-based system, an institution that receives a cheque for deposit to an account, credits the amount of the cheque to the account as soon as the cheque is received. The institution then physically sends the cheque through the clearing system run by the banks back to the institution that holds the account on which the cheque was drawn. This second in-

stitution verifies the validity of the cheque and, if satisfied, transfers money back through the clearing system to the first. Obviously, since physical objects must be moved to accomplish this, the process takes time, sometimes days. During this period the first institution "floats" a credit to the cheque depositor. From the institution's point of view, it has given the depositor what amounts to an interest-free loan which is "paid back" when the cheque finally clears. Since deposit institutions like to charge for loans, it should be clear why they would want to reduce the amount of this type of float at any given time. One way to do that is to reduce the amount of time required for clearing. An EPS could reduce that time to seconds or minutes.

The other side of the picture is credit float — the amount of money that has been removed from accounts but not yet paid by the institution to anyone else. This amounts to an interest-free deposit, something deposit institutions are not at all opposed to. Examples are the money banks hold between the sale and use of traveller's cheques and between payment of utility bills and the turning over of the payments to the utility companies. Currently it is much less common than debit float.

However, were there widespread instant debiting in an EPS, deposit institutions could increase credit float by simply not transferring credits at once. For example, they could send all transfers going to the same bank in a batch at the end of the day. This would have little effect on most individual consumers, but it could represent large gains to some banks, and thus policy to cover this area is needed.

### Cheaper and Better Data Handling

Because the EPS is based on electronic signals stored on magnetic tape or disk, more information can be stored more accessibly in less space than is possible in a system where the "signals" are pieces of paper. Also, the signals can be transmitted over electric lines at the speed of electrons rather than over bus or train or airplane routes at the speed of their engines. Having the information in

usable computer form allows for more manipulation than is now possible with cash or cheque purchased items. For example, bills could be itemized in terms of the tax-deductibility of various purchases. Also, an EPS reduces the need for manual paper handling. Much of the clerical work required in transactions today could be taken over by automatic data processors. Even the bank cards we use today require the manual transmission of a signed voucher to the card company before the machines take over.

### Universality

As envisaged now, an EPS would interconnect most businesses and financial institutions in Canada. Depending upon how access to the system is determined it might be possible for anyone to pay anything anywhere in Canada through the EPS. Currently, the traveller to another city usually cannot use cheques drawn on his or her account at home, and businesses vary in the bank cards they accept. An electronic system, as described here, would make a universal payment scheme feasible.

Everything that we have discussed so far must be considered in evaluating the advantages and disadvantages of establishing an electronic network and in setting up such a system. But these are not the only considerations. Important issues of social policy remain; probably the thorniest to resolve, since they are independent enough of the technology to embrace any number of different resolutions, depending upon what social choices we make.

### Privacy and Access

If we are to realize all the benefits promised by EPS, it must be widely accessible. However, our society has, so far, respected the privacy of an individual's affairs. Under a new system, we must decide how much of the information contained in the network should be available to whom, and then devise a means of restricting access to authorized users. On the other hand, limiting access could jeopardize the competitive position of those merchants denied access equal to that of their competitors.

Also, consumers require a mechanism for checking the accuracy of the information on them and for correcting it, if necessary.

### Accuracy and Liability for Error

An unfortunate element of the physical world is the high price of accuracy. How precise must such a system be? Greater accuracy can be achieved by building repetition into the system, but repetition raises costs. More reliable equipment is available, but it too increases costs. Of course, the present system already has its inaccuracies.

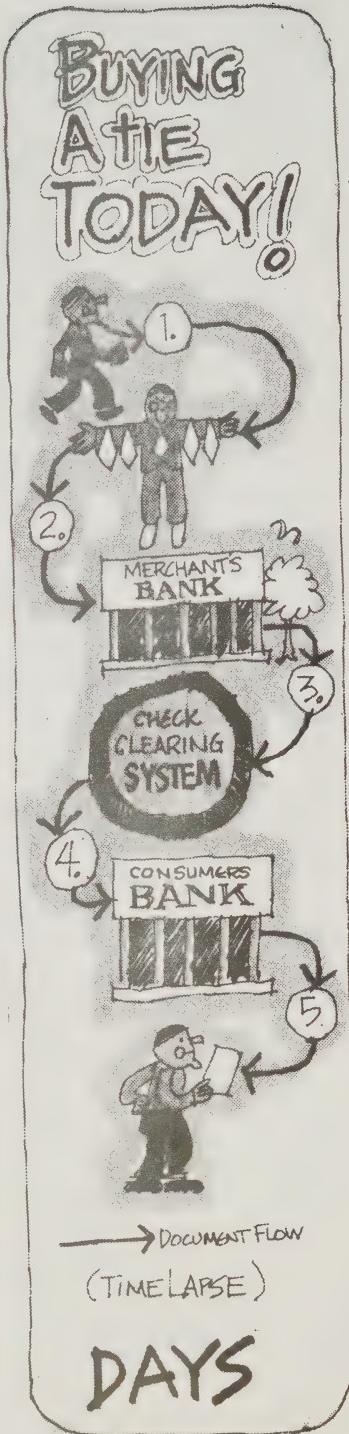
Determining the level of accuracy is tied in with determining levels and types of liability. We have already talked about legal liability, but it should be pointed out that the only reasonable way to talk about liabilities is in terms of who pays for mistakes. Once you decide what level of accuracy you want, you must decide who is responsible for the mistakes and frauds. Since an EPS raises a whole new set of possible mistakes and alters the incidence of errors and thefts, it requires a new system of liability.

### Distribution of Savings

Assuming that the adoption of an EPS results in reducing the costs of transactions, there is the question of how we distribute the savings. They could remain with the financial institutions as profit; they could be passed on to consumers in the form of lower prices for financial and other services and goods; or in the form of higher quality service, or all of these. Consumers should demand input on this issue.

### Opting Out

The other side of universality is coercion. Should people have the option to participate or not in a consumer level EPS? If your employer pays you electronically, you may have no choice but to open a deposit account. Are the social benefits great enough to justify forcing consumers to participate? If not, a mixed system must be devised. What happens to people who wish to "go underground"? If we wish to preserve the option not to participate in an electronic system, that system must be modified, and that would probably make it even more expensive.



## **Access to The System**

The counterpart of opting out is wanting in. The more universal the system, the greater the need for safeguards to insure that no one is arbitrarily or unjustly excluded. Those who are barred or expelled should have access to an appeals procedure.

---

## **Power Relationships**

Economic/technical innovations tend to influence power relationships, either bolstering those that already exist or changing them. What effect would an EPS have? At minimum, it would affect the banks' clearing network. The federally chartered banks control the present paper-based clearing system. The trust companies, credit unions, and caisses populaires are their customers of this service, rather than equal participants in the system. A change in network control could affect the competitive position of the different types of institutions. If an EPS develops as a common user network—open to everyone on an equal basis—then the deposit institutions could compete on a more equal basis. If, as is more likely, the electronic system develops as an extension of the present system, the banks' position would be strengthened. To take this thought one step further, we might ask whether an EPS would be more or less responsive than the present system to unconventional users.

---

## **Money Consciousness**

Perhaps the most disturbing question with regard to EPS concerns people's feelings about money. Would consumers behave differently? Would they be deprived of their money consciousness? In considering this, it is important to remember that an EPS would lead far more quickly to a cheque-less society than to a cashless society (or, as financial institutions prefer to call it the "less cash society"), unless we rigged the rules in very special ways. Whichever way we decide to go, we must consider the effect upon the aesthetics of our lives.

Where do matters stand now? The government has published a statement of policy on EPS (Towards an Electronic Payments System, Government of Canada, 1975). In addition, a three-fold study is being made by the departments of finance, communications and justice, consumer and corporate affairs and provincial governments. The Justice Department, studying the legal and consumer issues arising out of the increased use of technology has received briefs and presentations from a number of consumer groups, private individuals, retailers and financial institutions. The legislation which regulates our payments system is coming up for review within two years. In the meantime, government plans are in progress to begin to make some of its wage payments electronically, and deposit institutions are adopting their own systems and beginning to plan networks.

It is certainly not too soon for consumers to let their thoughts and preferences be known. After all, the electronic system will serve them.

**Editor's Note:** At a consumer law protection conference in Montreal, federal consumer affairs minister André Ouellet said, "personally, I can assure you that, as Minister of Consumer and Corporate Affairs, I have no intention of letting the officials of the Department of Finance formulate the cashless society alone. I can assure you that this cashless society or a variant thereof is not going to be imposed on the consumer as a fait accompli."

We are encouraged by the Minister's words and will be watching closely. CAC has formed a committee that is currently preparing a brief for submission to the Justice Department.



# **Sources of Consumer Credit**



# **Charge Accounts**

## **30-Day Account**

- used by furniture, clothing and department stores, oil companies, etc.
- you have full title to the item immediately.
- no interest charged if you pay within 30 days.
- if you do not pay the account within the interest-free period, interest has been charged at a rate of 1.75% per month (21% per annum). These rates do change, so check them before signing.

## **Revolving Charge Account**

- credit limit set by the store
- payment size changes with unpaid balance. Specified minimum payment per month.
- interest has been 1.75% per month (21% per annum). Usually based on previous balance owed.  
(So you pay interest on interest if you continue a balance from month to month).

# Instalment Plan

- used to buy large ticket items over a long term.
- buyer signs a "Conditional Sales Contract" giving specific terms to which buyer must abide.
- interest is added on at the beginning of the contract based on the decreasing balance. The total loan plus interest is then paid off in equal monthly instalments.
- repayment schedule over a specific period of time.
- title remains with seller until the account is paid in full.
- seller will often resell (assign) the contract, usually to a third party (bank, finance company or private lender).
- seller may get a rebate when he sells these contracts.  
This is to induce him to have his customers finance through the third party.
- interest rates can vary from 9 to 30%. It is wise to barter for the best rate of interest.
- this plan may be more convenient, but it probably isn't the cheapest way you can buy.
- under the Ontario Consumer Protection Act you must receive a signed copy of the Conditional Sales Contract and a Statement of Disclosure.

# Credit Cards

- provide previously established credit for multiple unspecified uses.
- well known cards are Chargex and Master Charge.
- check each out. Usually recorded, calculated and processed like revolving accounts.
- predetermined maximum credit limit.
- limited loan privileges (cash withdrawals). Interest starts the day you take the money so it's an expensive way to spend next week's pay.
- credit when travelling.
- billed monthly with finance charges on unpaid balance. Interest varies, has been  $1\frac{1}{2}\%$  per month (18% per year). Fluctuates from 12 to 24% per year. If a monthly payment is missed, you pay compound interest (interest on the interest you didn't pay last month).
- Ontario Consumer Protection Act says you have no legal obligation regarding an unrequested credit card - unless you use it. You can destroy it.

## **Travel & Entertainment Cards**

- well known cards are American Express, Carte Blanche, Diners Club.
- provide instant credit in hotels, restaurants, airlines, and thousands of establishments around the world.
- you pay for the privilege of carrying the card.
- you can't get it unless your salary is above a certain amount.
- you pay a penalty for late payment, and cards may be withdrawn.

## **If You Lose Your Credit Card**

- your card is as good as cash. Look after it.
- keep a note of your credit card numbers at home in case they should be lost or stolen.
- phone or wire the company or companies as soon as you discover the loss. Give your account number, name and address.
- confirm notification in writing.

# Teen Credit

- some stores now offer credit to people under the legal age limit.
- this is strictly at the store's discretion and each appears to differ in handling the situation.
- you are asked for references, sometimes for a guarantor (who will have to pay if you don't).
- restricted credit limit.
- many find they have the same percentage of delinquencies among minors as among people above the legal age limit.
- stores offer teen credit to build loyalty.

# Cash Loans

Secured. (i.e. Chattel Mortgage) - You sign a note and pledge something of value, called security or collateral, to the person making the loan. This can be your furniture, car, bonds, stocks, etc. If you don't pay, the lender can take possession of the goods you used to secure the loan.

Unsecured. (i.e. Promissory note) - You pledge what is probably your most valuable asset, your personal reputation. No tangible item is used.

# **"The Easiest Cash Source is Not Necessarily the Best"**

## **Sources of Cash Loans**

### **Banks and Trust Companies -**

- careful lenders. They check out credit risks carefully to keep losses down. So interest rates are likely to be more favourable.
- some charge a service fee for investigation and recording.
- some charge a fee for life insurance on your loan. This pays off the loan in the event of your death.

### **Credit Unions -**

- made up of a group of people with a common interest (i.e. ethnic group, place of work, religion, etc.)
- owned and operated by its members through elected officers who do not receive salaries. Some large credit unions employ managers and staff to conduct day-to-day business.
- not allowed to accept savings or lend money to the general public.
- members deposit their savings with the credit union.
- provincial laws protect this pool of savings, which is then loaned to members.
- under the Credit Unions Act Regulations interest cannot be more than  $1\frac{1}{4}\%$  per month (15% per annum) for loans, and some charge less.
- free life insurance is included in the cost of the loan.
- once a year part of the profits are given back to the members (rebated). This further reduces the actual rate of interest you pay on your loan.

- dividends are paid on the shares members hold.
- big plus: loans to members are seldom refused. Unexpected repayment difficulties usually receive particularly understanding treatment.

## Consumer Loan Companies

- will lend to people with slightly higher risk (credit may be marred by past dealings, unusually low income, already high debts, newness to the community, etc.)
- security will often be your household furnishings, personal reputation.
- interest on loans up to \$1,500 is regulated by the Federal Small Loans Act.
- over \$1,500 interest rates are set by the lender.
- interest varies from company to company as will such important factors as good intentions, conditions of repayment, etc. It is very important to shop around.
- all lenders are required by law to tell you the true cost in dollars of your loan and the annual percentage rate. You can judge for yourself whether the total cost of the loan is balanced by your need and capability.

## Finance Companies

- these companies buy contracts from other firms or dealers. They then act as your creditor. The law provides that they also buy the responsibility for the item which you have bought. If there is a problem and the dealer refuses responsibility, you can go after the Finance Company which has bought your contract. They will often bring pressure to bear to have repairs made, etc. This can be complicated.  
See Section Help!

- large purchases, cars, etc.
- over \$1,500 the rate of interest is not regulated. You must shop carefully.
- borrowers sign a 'Conditional Sales Contract' (See instalment plan).
- Finance Companies play an important role in consumer credit because they lend to people who otherwise might not be able to get credit.

## Life Insurance Policies

- except for Term Insurance, life insurance policies accumulate a 'cash' or 'loan' value after the first two or three years. You can borrow on that. It is relatively easy and inexpensive. It should be. You are borrowing your own money.
- you can borrow up to 95% of the cash value without surrendering your rights.
- interest is usually 6% - one of the lowest available.
- you do not have to repay until it is convenient.
- the face value of the policy is reduced by the amount of the loan. Should the policy become payable due to death or maturity, the outstanding loan is deducted from the payment.
- if most of the cash value is borrowed, the insurance may not be able to give you the benefit of the 'automatic premium loan' provision. This clause in your insurance contract provides that if you miss premium payments, the company may take the money from your cash values to prevent the policy from lapsing.
- the right to get the loan is part of your contract. It cannot be refused regardless of your credit rating as long as the premiums have been paid and the policy is in force.

## **Pawnbrokers**

- when you are really stuck, you can take a valuable piece of jewellery or other saleable item to a pawnbroker, who will lend you money against its auction value.
- the maximum amount of the loan is usually very low in relation to the value of the item pledged.
- you have a specified time, usually a year, to repay the money plus interest and get back your goods.
- interest is quite high, between 2% and 10% per month, or 24% to 120% per year.

## **Personal Loans**

- friends, business associates, relatives.
- to protect your relationship, it is wise to treat this on a 'strictly business' level.
- have a written contract, clearly stating the terms, interest and signed by both parties.
- each take a copy with an original signature.

## **Employers**

- in an emergency, some employers will lend money to employees or advance funds on future earnings.
- disadvantage to employers: They are forced to keep you on the payroll until the loan is repaid.
- disadvantage to you: It can discredit you with your employer, make you look as though you cannot manage your money.
- in times of real emergency like sudden death or illness, and when your working relationship is good, an understanding and mutual help relationship can develop.

## Loan Sharks

- also known as the 'juice racket' because of the squeeze.
- also known as Shylocking, after the character in Shakespeare's Merchant of Venice who said, 'Take then a pound of flesh'.
- usually connected with organized crime.
- this is the man at the factory gates who offers to lend you \$10 until payday, or \$200 to buy that car. It's a good deal. But what will it cost you in terms of interest?
- going rate we hear is 6 for 5. That is for every five dollars you borrow, you pay six dollars back on Friday. The \$1 difference is known as 'the line'.
- interest is due weekly. Rates are about 20% per week, 1,040% per year.
- some let you pay only the interest every week, and just let the principal sum remain owing on and on.
- if you miss a payment, the line is added to the principal and a stiff penalty is charged overall.
- letting you get in deeper and deeper.
- collection is a must for the loan shark. If he lets you off, his other customers may start to slip. This leads to collection methods that can be terrifying, painful, even deadly.
- we hear there are loan sharks who take an interest in the family, help you work out your problems, drop by every week to collect, and generally care what happens to you.
- this may seem like your only way out at times, but somewhere, somehow, there is someone in a legal financial institution, subject to regulation, who can help you at a lower financial and mental cost. When you get to the point where you are considering help from a loan shark, take an hour to talk to someone you find through the Help! Section. They will have some suggestions to help you solve your present difficulties and to avoid problems in the future.

- it may seem a small thing to borrow \$10 on Monday and pay back \$12 on Friday, but this opens you up to the field and you can easily be 'bumped up' to bigger loans.

## The Merchant of Venice

### Act 4. Scene 1

In this exciting courtroom drama, Antonio fights for his life against the vindictive Shylock, who refuses payment of the debt in money and eagerly sharpens his knife across the sole of his shoe. Portia, who loves Antonio, has disguised herself as a man. She presents a letter from a judge in a nearby town introducing her as a learned Doctor. Accepted to judge the case, Portia has a careful strategy planned. First, she asks Shylock to show mercy in the famous speech beginning,

"The quality of mercy is not strained,  
It droppeth as the gentle rain from heaven,"  
convincing him of her strict regard for the law.

When Shylock refuses to show mercy, Portia springs a cunning trap -

SHY. These be the Christian husbands! I have a 315  
daughter;  
Would any of the stock of Barrabas  
Had been her husband, rather than a Christian!  
We trifle time. I pray thee pursue sentence.

POR. A pound of that same merchant's flesh is thine. 320  
The court awards it, and the law doth give it —

SHY. Most rightful judge!

POR. And you must cut this flesh from off his breast.  
The law allows it, and the court awards it.

SHY. Most learned judge! A sentence! Come, 325  
prepare!

*(He moves toward Antonio with his knife and balance. Bassanio and several other spectators turn away in horror. Portia has enjoyed the game but now decides to draw it to a climax.)*

POR. Tarry a little; there is something else.  
 This bond doth give thee here no jot of blood;  
 The words expressly are "a pound of flesh."  
 Take then thy bond, take thou thy pound of flesh;      330  
 But in the cutting it, if thou dost shed  
 One drop of Christian blood, thy lands and goods  
 Are by the laws of Venice confiscate  
 Unto the state of Venice.

(*A moment of stupor, ther an explosion of joy and relief. The miracle has taken place. Gratiano begins his hideous clawing at the falling Shylock.*)

GRAT. O upright judge! Mark, Jew. O learnèd      335  
 judge!

SHY. Is that the law?

POR. (*opens her book*)  
 Thyself shalt see the act;  
 For, as thou urgest justice, be assured  
 Thou shalt have justice more than thou desir'st.

GRAT. O learnèd judge! Mark, Jew. A learnèd      340  
 judge!

SHY. (*stunned*)  
 I take this offer then. Pay the bond thrice  
 And let the Christian go.

BASS. Here is the money.      345  
 (*He moves to Shylock. Portia stops him.*)

POR. Soft!  
 The Jew shall have all justice. Soft, no haste;  
 He shall have nothing but the penalty.

GRAT. O Jew! An upright judge, a learnèd judge!

POR. Therefore prepare thee to cut off the flesh.      350  
 Shed thou no blood, nor cut thou less nor more  
 But just a pound of flesh. If thou tak'st more  
 Or less than a just pound, be it but so much  
 As makes it light or heavy in the substance  
 Or the division of the twentieth part      355  
 Of one poor scruple — nay, if the scale do turn  
 But in the estimation of a hair —  
 Thou diest, and all thy goods are confiscate.

GRAT. (*gloating*)  
 A second Daniel! A Daniel, Jew!  
 Now, infidel, I have you on the hip!

POR. (*coldly*)  
 Why doth the Jew pause? Take thy forfeiture.

SHY. Give me my principal, and let me go.

BASS. I have it ready for thee; here it is.  
 (*Again Portia stops Bassanio. She is in full control.*)

POR. He hath refused it in the open court.  
 He shall have merely justice and his bond.      365

GRAT. A Daniel still say I, a second Daniel!  
 I thank thee, Jew, for teaching me that word.

SHY. (*bewildered*)  
 Shall I not have barely my principal?

POR. Thou shalt have nothing but the forfeiture,  
 To be so taken at thy peril, Jew.      370

SHY. Why, then the devil give him good of it!  
 I'll stay no longer question.

The excerpt from "The Merchant of Venice", Shakespeare, is  
 reprinted from Festival Editions of Canada Limited,  
 Toronto, by permission of the publishers.

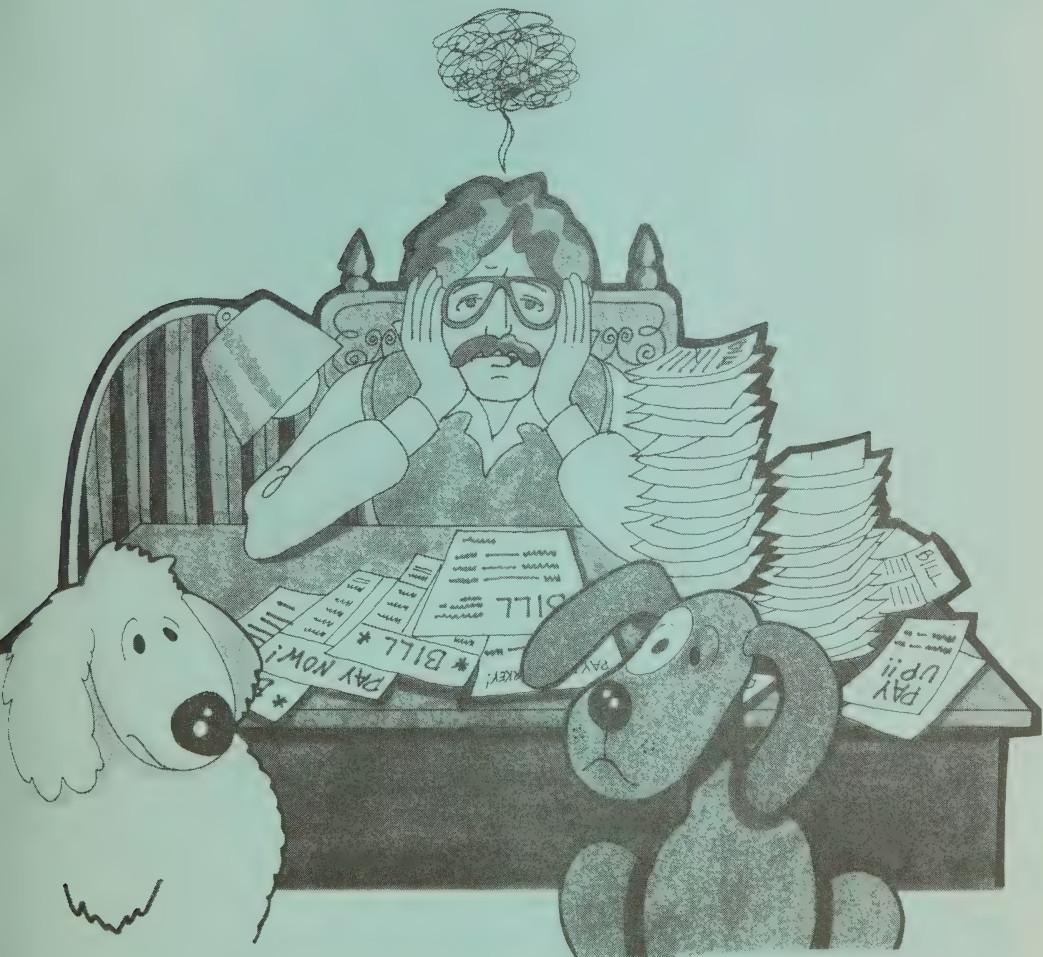
But Shylock is not permitted to get away so clean. Portia now shows him that, by the laws of Venice which he so strongly upholds, he has put his own life on the line by seeking the life of a citizen of Venice. All of his goods will be confiscated, and since he cannot pay for the rope to hang him, the state will confer it as a favour. Some argument results, and the upshot is that one-half of his fortune will go to the Duke, whom he has wronged, and one-half at his death to his daughter, whose marriage without his consent was the cause of all the trouble. These and other terms are submitted by Antonio, by whose mercy Shylock is freed.

Note: This passage is used to add an extra dimension to the kit and to illustrate the origin of the word "Shylock". Like everything else in the kit its use is discretionary.

Scholars have argued through the years about the fact that Shylock is a Jew. Some say that the play is anti-semitic because a Jew is the heavy. Others say that the play is for Jews because it shows the fineness of Shylock's character shining through the outer degradation. Perhaps the most important fact to remember is that the heavy had to be some nationality, and in Shakespeare's time most money lenders were Jewish. It is interesting to note that "usury", or lending money at interest, was illegal for some time in England's history.



# The Cost





# **In Real Money and Personal Terms**

Income is our individual means of achieving our goals and aspirations -- a better life, education, type of work, that sort of thing. Any money you borrow must be paid back out of your future income, so it is important to consider how your use of credit will influence the achievement of your goals.

Credit costs money. Misused, it can also cost happiness in families, peace of mind, health, and years of hard work to get out of debt. A person deeply in debt can lose their sense of personal worth, their ability to hold up their head and deal with people. Debts can also chain you to a job or a place when you could be doing better elsewhere. The advantages of convenience, having enjoyment now, and a better standard of living for the present must be weighed against the disadvantages which can be caused by lack of planning.

## **Interest**

Retailers and lenders are required to disclose to you the dollar cost and the annual rate of interest on your credit purchases or borrowed money. It's a good idea to know how to calculate these figures for yourself.

Example: 1968 Mustang, \$670.

Instalment Plan down payment \$75  
with 24 monthly payments of \$32 each

### Credit Price of Car

Down payment	75.00
\$32 x 24 months	<u>768.00</u>
Credit Price/Car	843.00

### Dollar Cost of Credit

Credit Price of Car	843.00
Cash Price	<u>-670.00</u>
Loan Costs you	173.00

(You pay 173.00 for having the use of the car and part of the 768.00 for 2 years)

### \*Annual Interest Rate - One Method of Calculation

$$\frac{r=2m\$}{p(n+1)} = \frac{2 \times 12 \times 173}{595(24+1)} = \frac{4152}{14875} \times 100\% = 27.89\%$$

r = Rate of interest

m = Number of payments in one year (52 if weekly, 12 if monthly, regardless of the number of months the contract is set to run)

\$ = Dollar cost of credit (which you figured out above)

p = amount of credit advanced (price of car less down payment)

n = number of payments to be made

### \*Constant ratio method

Creditors have a right to ask whatever price they think their product (money) is worth within law. If you feel it is justifiable for your own reasons, then you have a deal.

An important point to consider in the use of credit is that each party should win. You should have a good deal, and so should the lender. And credit, as pointed out before, is a form of gambling in which both sides can win.

### Simple Interest

Interest on principal that does not change for the term prescribed.

### Compound Interest

When interest is added to the principal amount, increasing it, and interest is charged on interest.

When you save and invest, these forms of interest will work for you. Then you will look for interest compounded as often as possible.

### Collateral/Security

In order to prove your willingness to repay a loan you may be asked to pledge some item of value. This may be your car, furniture, or other expensive items. If you default on the payments, these items will be taken for resale. (See Consumer Protection Act). While an item is 'mortgaged' in this way (given as collateral, offered to secure a loan), you may not sell it or give it away. In effect, you no longer own such an item. The title is in someone else's hands while you owe them money.

Often the only security you will be asked to give is your personal reputation. In today's society your credit is your margin of safety. It is last century's 'something for a rainy day'. Don't spend it all in one place.

## Credit Rating

An evaluation of your qualifications and ability to receive credit. See page 3.

### Credit Bureau

An organization that specializes in gathering and storing information on credit users. Their information mainly comes from credit grantors, court records, employers, landlords, and other references such as banks, which you may have given on your application for credit.

### Credit Reporting

As long as employees of credit reporting agencies stick to the facts, and as long as they have the correct facts, everything should be all right. However, incorrect information may be given to them. As a result, a credit grantor may make an unfair or incorrect credit rating. As a result, you may suffer.

In Ontario you are protected by the Ontario Consumer Reporting Act in that the agency must disclose to you the information they have in your file. You have the right to explain and show reasons why information on file should be changed. See Law.

## Debt

Debt is a minus thing -- kind of a negative. In a credit-oriented society, debt has come to mean 'money owing that you cannot pay' rather than 'any money owing'.

Debtor's prisons played a large place in the lives of people a couple of hundred years ago. Today they aren't necessary. We recognize debt itself as a prison -- a confining, destructive, preventive force. You get into debt not by using credit, but by misusing it.



# Credit Guidelines



# How to Profit by Using Credit

- do some serious saving first, no matter how little.
- review your overall financial situation to see whether you can take on an additional payment, and how much it can be.
- examine any credit contract thoroughly. Ask how much the item will end up costing you in dollars.
- take the time to decide whether the item is important enough to you to be worth the price you will wind up paying.
- buy only items which will still be useful to you when you have finished paying for them. Try to get good value for your money. If the value is gone by the time it's paid for, all you have done is rent, and the rent could be quite high.
- get all agreed terms written into the contract.
- be sure all blank spaces in a contract are filled. Get a copy and keep it in a safe place.
- stop before using a credit or charge card and ask yourself if this is an IMPULSE or a truly useful item.
- do comparison shopping ... for the item and for your credit.
- assume only the amount of credit you need. Make the largest down payment possible and pay in the shortest time possible.
- don't be afraid to ask questions. A lender who makes you feel ignorant because you have asked what credit will cost is often trying to rush you into something.

- pay promptly.
- if you cannot meet a payment, contact your creditor by phone or letter and explain why. Any contact from you will assure your creditor that you are keeping faith with them.
- don't use too many cash-credit sources.
- don't use your maximum credit capacity unless you hit a real emergency. Then you will have a margin of safety in case crisis hits.
- if you have complaints, see the manager and get it worked out.

YOU NEED NOT BE SUSPICIOUS -- JUST BE AWARE.

ONLY ONE PERSON SUFFERS WHEN YOU OBTAIN CREDIT BY  
PERSUADING A LENDER THAT YOU CAN PAY WHEN YOU CANNOT ... YOU.

# What to Do When You Can't Pay

## Communicate

- with your creditors. They will usually listen to any plan that sounds like it might work.

## See Help!

- to find an impartial representative who can advise you.

## Refinance

- to arrange smaller payments
- costs you more in interest!

## Debt Consolidation

- add up all your debts
- get a loan large enough to pay off all other debts
- extends the repayment period
- costs more in interest
- one monthly payment
- Caution: May bring your loan over \$1,500 and leave you open to unregulated rates of interest.

## Personal Bankruptcy

- a last resort
- your assets and liabilities are listed
- a Trustee, who charges a fee, oversees the bankruptcy.
- everything you own is sold except for clothing, tools and some household goods to pay off as much of your debt as possible.
- once the debtor is discharged by the court, their indebtedness is wiped out.

- the record of bankruptcy follows them for many years.
- under the Poor Debtor Program, a Federal Trustee oversees the bankruptcy for \$50. Applications and information about this program are available at Canada Manpower Centres.

## What They Can Do to You

### Friendly Reminders

- start arriving soon after account goes into arrears

### Collection Agency

- after about 6 months creditor considers it a bad debt
- hands "bad debts" over to collection agencies

### They May Sue

- they may get the court to force you to pay

### Repossession

- items may be taken back if less than 2/3 of loan has been paid
- mortgage may be foreclosed
- creditors are usually unwilling to do this

### Garnishment

- a creditor can apply for part of a worker's wages directly from his employer if a debt is not paid
- creditor has to get a court order to do this
- employers often feel such workers are not suitable employees

Within the above means open to a creditor, he or his collection agency may act carefully in order to prevent the debtor's situation from being aggravated, but they may as easily act in ways which can be considered harassment. There are laws protecting consumers from harassment, but the best protection is care in selecting firms of good standing with which to deal and in handling credit wisely.

AT ALMOST ANY STAGE IN THE ABOVE PROCEEDING YOU CAN STOP THE PROBLEMS SIMPLY BY CONTACTING YOUR CREDITORS EXPLAINING WHY YOU CANNOT PAY AND COMING TO SOME ARRANGEMENT FOR REPAYMENT.



# The Law



## **The Bailiffs Act**

- regulates the conduct of private bailiffs (agents of the creditor, not bailiffs of the court). This is the person who goes to your home to repossess articles if you don't pay.
- they must show you identification - proof that they are licensed.
- they must properly account for items they seize.
- their costs are chargeable to you.

## **The Collection Agencies Act**

- collection agencies, branches and collectors must be licensed.
- these are the people who attempt to collect money for your creditors when you don't pay.
- collection methods are controlled to prevent undue harassment.

## **The Business Practices Act**

- sets out clearly what unfair business practices are.
- identifies 22 unfair practices, such as statements that a product is new or unused when it is not, or that a price advantage exists by signing today because the price goes up 20% tomorrow.
- sets out a method by which you can claim redress for these procedures, including a method to cancel the contract or agreement.

- covers contact by a salesperson, direct mail, display and advertising.
- see brochure "Balance in the Marketplace" included with this kit.

## The Ontario Consumer Protection Act

- requires that door-to-door sellers (itinerant) be bonded and registered to sell driveway paving, encyclopedias, magazines, household appliances, aluminum siding and swimming pools, to name only a few.
- in transactions involving more than \$50, a written contract is required. It must contain specific information or it is not valid. (See Statement of Disclosure, next page.)
- provides a 'cooling-off' period of two working days after the contract is signed. If you decide to cancel a contract within those two days but the supplier has already delivered all or part of the materials, just call and tell them to pick it up; then cancel in writing, (See brochure).
- sets terms by which you may cancel the contract.
- prevents repossession of goods without a court order after you have paid two-thirds of the purchase price.
- specifies that you are not responsible for unsolicited goods or credit cards.
- prohibits 'referral selling' -- offering a special discount if you can get friends to place a similar order.
- provides action against false, misleading or deceptive advertisements.

- this Act is in effect on all executory contracts over \$50. That is contracts in which all terms are not fulfilled at the time the deal is made. (In a cash transaction there is no executory contract.)
- this Act does not apply to contracts signed at exhibitions and fairs. Wait! Think!
- see brochure "The Consumer Protection Act" in this Kit.
- the Ontario Consumer Protection Bureau acts on this law. See Help!

## **Statement of Disclosure**

A Written Contract must include:

1. Name and address of the seller and the buyer.
2. A description of the goods or services being purchased.
3. Itemized price of goods and services and terms of payment.
  - a. Actual cash price plus delivery charges.
  - b. Amount of down payment.
  - c. Exact value of any trade-in.
  - d. Balance owing.
4. Statement of warranty or guarantee if any.
5. The signature of both parties. (Each must have an originally signed copy.)

When Credit Terms are extended the Statement must include:

6. Details of any security given.
7. Credit finance charges on the balance in dollars and as an annual percentage.
8. Amount of insurance and service charges.
9. Amount of debt to be paid.
10. Amount, due dates and frequency of instalments.

11. Basis on which additional penalty charges will be made if you default on payment.

NOTE: Without all the above details, a contract is not binding.

## **Ontario Consumer Reporting Act**

- requires a business to tell you that they will get a credit report on you.
- requires a business to tell you who provided the report on your credit.
- requires a reporting agency to disclose the information in your file to you.
- requires that they check out and correct errors you find.
- requires that they send corrected copies to people you designate and anyone who has received an unamended report in the last 60 days.
- excludes certain personal information about you from the report.
- see Brochure "The Consumer Reporting Act" in this Kit.

## **The Travel Industry Act**

- provides for registration and bonding of all travel agents and travel wholesalers. This Act applies to travel agents in Ontario.
- requires all registrants to participate in a compensation fund to protect consumer in case of company bankruptcy or unfulfilled services. (Useful especially in the case of charter flights that fail to operate.)

## **Equal Credit Opportunity Guidelines for Women**

- removes the 'double standard'. Women are considered according to the same credit risk standards as men.
- married women are granted credit in their own names, according to their ability to repay.
- mortgages and credit extensions are judged according to their own merits, not according to the sex of the primary family supporter.
- women are no longer asked whether they intend to have a baby or if they use control methods before being granted credit.
- other credit data required on the spouse shall be the same regardless of the sex of the applicant.
- a change in marital status will not cause a woman to lose all her credit cards or other credit arrangements.
- when a couple applies for credit, lenders will consider the spouse's income if necessary.
- alimony and child support is considered a source of income.
- a woman is rated according to her own credit history.
- a woman's credit rating will not change only on the basis of her husband's credit rating, and vice versa.
- on request, credit reporting agencies will keep separate files on husband and wife.
- inquiries:      Women's Advisor,  
                          Ministry of Consumer and Commercial Relations,  
                          555 Yonge Street,  
                          TORONTO, Ontario  
                          M4Y 1Y7

## **Other Laws**

Other laws having a bearing on credit usage and practice:

The Credit Unions Act

The Personal Property Security Act

The Pyramidic Sales Act

For more information on these Acts write:

Ontario Consumer,  
Queen's Park,  
TORONTO, Ontario.

Copies of the Acts may be obtained through:

The Ontario Government Bookstore,  
Publications Service,  
880 Bay Street,  
TORONTO, Ontario.

Some Federal Acts relating to credit are:

Interest Act

Small Loans Act

Bankruptcy Act

Pawnbrokers Act

Write:      Queen's Printer  
                  OTTAWA, Ontario.

# Case Histories

Whether or not,  
said by old Thoreau,  
It is wiser to beg  
than to borrow,  
How true at any rate,  
And even a penny rate,  
To borrow  
Tomorrow  
Means sorrow.



# Case History #1

## But I Was Just a Little Short

In January, 1972, Anne and Harry took out a loan in the amount of \$1,687.02 with a finance company. The principal plus interest was to be paid off in 48 monthly instalments of \$55.00 each. They had some problems meeting the loan payments on time, but by November, 1974 they had made 27 payments on their indebtedness. At this time, they found that the balance outstanding on the loan was still \$1,237.65.

Anne wrote to their M.P.P. at Queen's Park for assistance and the matter was referred to the Ministry of Consumer and Commercial Relations. An Investigation Officer asked the finance company for a copy of the account, which is included here. The Officer found that the additional interest charged was legitimate, as payments were made late, some being 40 to 90 days apart. The Ministry had to advise Anne and Harry that they would have to pay the remainder of their account.

This case history is given to illustrate the necessity of getting payments to the company on the date they are due. The interest on the whole loan should have been \$952.98. To date they have paid \$999.67, \$46.69 more than the total original interest, and they still owe \$1,237.65 of the principal. If they pay this balance off right on time, they will still make almost 23 more payments of \$55.00 per month. This is a total of 50 payments rather than the original 48.

What surprised Anne and Harry was the fact that after they had made 27 payments, the outstanding balance on the loan was still \$1,237.65, only \$449.37 less than they borrowed. They failed to realize that at the beginning of the

repayment period most of the payment goes on interest. Only gradually, as the principal is reduced and interest charges go down, does more of the instalment go on repayment of principal.

1. It may be useful for students to work out the interest charged. On this interest-bearing loan, the finance company calculated interest on the number of days between payments. The formula they used is as follows:

$$\frac{r}{100} \times \frac{n}{y} \times b = \text{interest charged i.e. } \frac{24}{100} \times \frac{30}{360} \times 1,000 =$$

r = annual rate of interest

100= percentage

n = number of days between payments

y = number of days in year

(reason for using 360 rather than 365 days in year  
is given as "easier to divide".)

b = balance owing on account

2. Points to remember when borrowing:

- a. Shop around for rates.
- b. Pay off earlier if at all possible. Double up on payments.
- c. Pay on the date due or earlier. Even 1 or 2 days can make a difference.
- d. The monetary cost is great, but if the creditor reports you as a slow payer, greater damage can be done to your credit rating. If it is necessary to pay late, advise the creditor of the reason.

## ACCOUNT CARD OF LOAN: Anne and Harry

Chattel Mortgage and Promissory Note for \$1,687.02 to be repaid in 48 monthly payments of \$55.00.  
 Interest at 2% per month (24% per annum) on the unpaid principal balance.

Date Paid	Amount Paid	Charges	Principal	Balance	Other
01-18-72		loan opened	55.00	1687.02	
03-17-72	55.00		55.00	1687.02	Interest Short 11.35
04-28-72	55.00		55.00	1687.02	I.S. 3.59
05-03-72	55.00		9.21	1641.23	
05-12-72	55.00		9.85	1596.08	
05-12-72			45.15	1641.23	Payment Stopped on cheque
06-27-72	110.00		9.85	1641.23	
08-16-72	55.00		60.17	49.83	1591.40
09-28-72	55.00		53.05	1.95	1589.45
11-09-72	55.00		45.56	9.44	1580.01
02-09-73	55.00		44.24	10.76	1569.25
04-16-73	55.00		55.00	1569.25	I.S. 41.24
06-09-73	55.00		54.78	.22	1569.03
07-19-73	110.00		59.08	50.92	1518.77
09-13-73	55.00		37.90	17.10	1501.67
10-16-73	55.00		55.00	55.00	I.S. 1.06
11-21-73	55.00		34.10	20.90	1480.77
12-31-73	55.00		35.53	19.46	1461.31
02-01-74	55.00		38.96	16.04	1445.27
02-28-74	55.00		30.83	24.17	1421.10
04-02-74	55.00		25.58	29.42	1391.68
05-09-74	55.00		30.62	24.38	1367.30
06-25-74	55.00		33.72	21.28	1346.02
07-29-74	55.00		42.17	12.83	1333.19
08-13-74	55.00		30.21	24.79	1308.40
09-13-74	55.00		41.91	13.08	1266.48
			28.82	26.17	1237.65

## Case History #2

### The Fake-Out

Michelle and Elise share an apartment. One evening, when Michelle was busy in the kitchen, a salesman called at the door and spoke to Elise. Michelle heard some mention of magazines but didn't really listen. A few moments later her roommate had to leave and the salesman went at that time.

Within a short time, another salesman knocked at the door. He said that Elise had asked him to get Michelle to sign a contract for her so that she might receive some magazines. Michelle knew Elise had been in a hurry to go out, so she signed a contract for \$189.00.

Once Elise and Michelle got together and compared notes, they realized that Michelle had been tricked into agreeing to pay \$189.00 for magazines she didn't want. They telephoned the company to cancel the contract and followed up with a letter but magazines began to arrive about April 1. They did everything they could to get the company to listen to them. At one point they even returned a bundle of the magazines, but the magazines continued to arrive together with notes and requests for payment, and later with bill collectors. Just about then, Michelle began looking for help.

The Ministry of Consumer and Commercial Relations was asked to investigate the matter. An Officer wrote to the company involved, explaining the complaint and asking for the company's views. The company replied that the person who knew about the matter was on holiday and asked the Ministry to hold the matter in abeyance for two weeks.

When nothing further was heard from them after a month the Officer called the company. They advised that the contract was being cancelled by them because there seemed to be some question of the consumer being under age. The Ministry then called Michelle to tell her that the contract had at last been cancelled and to ask her to write a letter confirming the cancellation immediately. Michelle did not lose any money because she was smart enough not to pay any out, but her belief in the word of an unknown and unidentified salesman cost her a lot of unpleasantness.

1. It is dangerous and a mistake to sign any contract for someone else, particularly at the request of the person who will profit.
2. Door to door sales companies must be registered in Ontario. Check with the company as to the salesman's identity before signing anything or paying money.
3. Make sure any terms or promises are contained right in the contract.
4. Never sign a blank contract.
5. When a company does not acknowledge your letters and phone calls, get official help immediately. The harassment will just go on until you do.

## Case History #3

### When They Just Won't Listen

Mr. and Mrs. McVinty are old age pensioners. Some months ago, a Housing Contractor called on them, suggesting that they put a new type of siding on their house and have other work done which would cost them about \$4,300.00. The McVintys signed a contract and gave them a \$300.00 deposit on the work.

The next day they realized that they just couldn't carry out this work in addition to other expenses they had coming up, so they wrote a registered letter to the Contractor explaining their situation and saying that they didn't intend to go on with the work at this time. The Contractor replied that in this case they would just hold the \$300.00 deposit until they decided to do the work.

The McVintys wrote again, explaining that they were cancelling the contract and wanted their money back. The Contractor's reply was that the second letter was well past the two working days required by law. They would cancel the contract, but they would take the \$300.00 as liquidated damages.

Mr. and Mrs. McVinty thought they'd better have help with the situation, so they contacted their local Northern Affairs Branch, who forwarded the complaint to the Consumer Protection Bureau. The Investigating Officer contacted the Contractor by long distance telephone and followed up with a letter stating that the Bureau considered the registered letter as follows:

"... while not specifically worded as a request for cancellation, (it) nevertheless conveys that intent and therefore Section 33 of the Consumer Protection Act would apply."

Within three days the deposit had been refunded, and the contract cancelled.

This is an example of the use of the Consumer Protection Act, the function of the Consumer Protection Bureau, and the method of reaching the Bureau through government agencies in outlying areas. The McVintys should, perhaps have been more careful about the wording of their letter. The Contractor is registered as an itinerant seller under Section 4(1) of the Act and probably would have carried out the work satisfactorily. He just didn't want to give up the money without a fight, which he got.

## Case History #4

### A Smart Consumer

Norman Allen went to his basement one Saturday to find it flooded. There had been a serious basement sewage back up. He called a Choked Drain Surgeon who arrived within moments. They went down to look at the problem and advised Mr. Allen that they couldn't do anything until he signed a contract promising to pay \$300 for the work involved. Mr. Allen said that was ridiculous, and the Drain man thought maybe it could be done for \$250 but not a penny less. Besides, he said, he must have a contract before he could make a move. Company policy. Mr. Allen looked at his basement and he looked at the Drain man. He asked if no emergency measures were available. Well, said the Drain man, we could try an electric snake. If you're lucky, that'll clear it up. But it'll cost you an hour's labour at \$17.50 plus \$35.00 for our use of the electric snake. You pay now. Mr. Allen wrote a cheque and in fifteen minutes his basement drain was clear. In refusing to sign the contract, he had saved himself about \$200. Of course, the drain problem could have turned out to be much more

severe, in which case he would have had to get estimates on the work involved in digging up the lawn.

What alternatives did Mr. Allen have? Several.

In the panic of the moment, he called the first drain service he could find. At the very least, he should have called three services and asked them, on the phone, to give him an estimate of the possible work involved and the charges.

A safer move would be to call the Public Works Department of the Municipality or government department in the area which deals with sewage. They have instruments which can usually identify where a blockage is located. If it is on your property, you have to pay for work done, but there is the possibility that it will be within the road allowance. In that case, the work won't cost anything. At any rate, you will have a better idea where you stand, and a better chance of having the work done and charged honourably.

# Projects



## **1. Audio/Visuals**

Many of the audio visual aids provided with this kit lend themselves to 'play reading'. Students take the parts, and read the script themselves, either to the filmstrip or acting it out.

## **2. Improv**

What would have happened if.....?

Select students to play the various roles in an application for credit which has been turned down, a divorce caused by problems which arose out of money worries, a credit application which was not turned down (how I bought my first car), a bankruptcy situation, borrowing from your rich Aunt who has certain hangups about how money should be used, someone who can't make the payments to a loan shark (two hit men will do for the purposes of this script).

First you act out the situation. Then you say "What if....." and let the improvisation happen.

Discussion could bring out greater understanding of one's own values, lack of information, etc.

## **3. Moneyplan**

This is not a Quiz. It is a useful form which each student can use to find out their 'credit limit'. Discussion is helpful on their expenses and their ideas for spending their 'credit'.

This moneyplan can be used as an exercise to go over with their parents, finding out how the family worked out their maximum credit. It is useful in conjunction with the audio

visual "The Credit Squeeze" in this kit. Further discussion could include:

"How I would buy a car under this moneyplan."

"How I would get the downpayment"

"How long it might take to establish this Moneyplan as a 'tool' in managing my finances."

(This Moneyplan is published in the book "You the Consumer".)

#### MoneyPlan

Monthly Income .....	.....
Deductions .....	Balance .....
Fixed expenses	
housing .....	
food .....	
clothing .....	
transp .....	
recreation .....	
education .....	Total .....
Savings % .....	.....

This amount is available for credit payments.

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To work out the amount you can safely spend on credit each month, start with your monthly income, minus your deductions. This gives you your net income, or take-home pay. Deduct from this figure your regular, fixed expenditures--expenditures you must make, such as rent, food, clothing, transportation. Then deduct your irregular expenses, such as entertainment, vacations, gifts, clothing, medical.

The balance is the largest amount you can safely plan to use for credit payments. If you buy any of your irregular expenses on credit, such as vacations, or clothing, then this sum may be added to the amount you set aside for credit. In addition, you should have set aside a cash fund for emergencies which should be equal to about 3 months' income.

Money Plan from You, the Consumer by Grace Daw and John Beatty. Copyright (c) 1975 by Wiley Publishers of Canada Limited. Reprinted by permission of authors and publisher.

## **4. Information Project**

Decide on an item that will cost about \$500. Perhaps a used snowmobile or a ski outfit.

Divide the class into working parties to visit loan sources for this money and report on the cost of borrowing. They may tape the interviews. They should check out as many as possible of the following:

Bank

Catalogue Outlets

Credit Cards

Credit Union

Consumer Loan Company

Mail Order Houses

Retail Stores

Any other sources available in your area, including loan sharks ... with care!

A further activity from this project would be to do a large chart like the one shown here. Place all information gathered on the chart. Students can compare the finance charges, security requirements and other aspects of each lender.

Hypothetical cases of people in need of credit can be developed. The class as individuals or groups can decide where the person should obtain the credit he needs.

## USE THIS CHART TO COMPARE CREDIT COSTS

How many dollars do you need to borrow?							\$	(For example \$300.)
Name of lender	Number of payments	Size of payments	Other charges to be repaid	Total amount loan	Amount of credit	Cost of credit	Annual Security % Rate required	Other information you may want
Lender A	12	x \$26.70 + none	=	\$320.40	-	\$300	= \$20.40	only my signature incl. in paymt.
Lender B	12	x 28.81 + none	=	345.72	-	300	= 45.72	co-signer credit life insce. opt. Max Loan\$800
Lender C	x	+ =		-	=			
Lender D	x	+ =		-	=			
Lender E	x	+ =		-	=			
Lender A	18	x 18.43 + none	=	331.74	-	300	= 31.74	only my signature
Lender B	18	x 20.46 + none	=	368.28	-	300	= 68.28	co-signer
	x	+ =		-	=			
	x	+ =		-	=			
	x	+ =		-	=			
	x	+ =		-	=			

## **5. A Day in Court**

Visit the local small claims court or speak with the local courts to see when collection cases are on the docket. Afterwards, students could write a report on what they saw, their general impressions, the proceedings, reasons they feel the debtor was in court, their conclusion.

or

Students can take the various roles and play out the scenes they saw, showing how they would have avoided the court case, how the debtor could have handled it, what other arguments they would have advanced in court as the debtor, how they would judge it, etc.

and

Taking the roles of creditor, debtor, and family, they can act out what they would have done to prevent the case going to court.

## **6. Student Enterprise**

Set up and run a Student Enterprise like the one described in the article. "Enterprise Helps to Pay Bills at Carleton". Students will need to establish:

What skills they have among them.

The organizational set up.

Wage rates.

Marketing methods.

Costs of operating.

How to finance it.

Students could run this Enterprise for a one month period. Then they could evaluate its effectiveness, check profits, (material and experiential), and hold a meeting to decide whether they wish to distribute the profits and quit or go on.

## Enterprise helps to pay bills at Carleton

by Sandra Woods

Among students at Carleton University studying to become engineers, geographers and social workers are bartenders, gardeners, house painters and bicycle mechanics.

They are just some of the students working their way through university with the help of Student Enterprises Inc.

Student Enterprises began in 1970 because of the need for student jobs and has since employed more than 850 students who have earned about \$220,000 in salaries.

The venture began with the aid of a \$5,000 loan from the students' association and a \$1,000 grant from the university.

In its first year of operation it had a deficit of \$4,000. The second year it broke even and this year will likely show a profit of \$8,000 on an operating budget of \$250,000.

The corporation works in much the same way as commercial temporary employment agencies. It charges an employer a set rate and pays the student worker a lesser fee.

The average student salary is about \$2 an hour whereas the cost to the employer could be about \$3.

But Rory Petticrew, corporation president, says all profits are plowed back into the business.

During the summer, students will be available for landscaping, house

painting, lawn care, tutoring, bartending, cleaning, typing and a host of miscellaneous jobs.

The corporation screens all applicants and Mr. Petticrew says they are all reliable people and in some areas, such as bartending and painting, only professionally trained students are used.

Mr. Petticrew says the corporation is still having some trouble selling itself to potential employees because some of them don't think of Student Enterprises as professional enough. He also admits that some are still leery about hiring students.

And some of those who do hire students seem to have the idea that because they're students, they should work for less money, said Mr. Petticrew.

The students, too, can present a problem. Herb Metcalfe, one of the students managers and the new president May 1, says that some students are picky and not willing to work for a low hourly wage and only want to work specific hours.

Mr. Metcalfe said it is a corporation policy, however, to hire those students with the greatest financial need.

Mr. Petticrew says that most of those in the organization got involved "because of the money" and a desire to learn managerial skills.

The corporation has two full-time

staffers, Mr. Petticrew and a general manager, who each receive a monthly salary of \$500.

Each of the six managers work on commission ranging from 10 to 75 per cent of profits. Mr. Metcalfe says this amounts to a top part-time salary of about \$200 monthly, but says that in his own case he works long hours and estimates his hourly wage at about 60 cents.

There has been some criticism of Student Enterprises, says Mr. Metcalfe, "because some people think we're nothing but dirty capitalists."

He attributes this to the fact that "they don't understand the long hours we work and get jealous because they can see we're making more money than they are."

Mr. Petticrew said Student Enterprises pays student workers more than other commercial ventures who hire privately do.

The corporation operates an appeal board to deal with employee grievances and to insure that they are not exploited on the labor market.

The corporation provides workmen's compensation insurance for student workers and pays unemployment insurance for those who qualify.

## **7. Buying to Sell at a Profit**

In one consumer studies course, the class borrowed money to buy a steer, arranged for its preparation for market, and sold the dressed meat.

This was not a long-term project. Aside from the business experience gained, students had a valuable object lesson in how credit can work for you.

## **8. Co-operatives**

Following Ontario law, students could investigate the formation of a co-operative store, coffee house, bus service, shopping service (purchasing food items in bulk at wholesale prices for distribution among members who have placed an order for their needs.)

Information on co-operative set up is available at libraries or from a Co-op store.

See "Organizing a Co-operative in Ontario", included with this kit.

## **9. Credit Union**

Set up and run a mock Credit Union for a month, following Ontario law.

Set a cost for shares.

Pool savings.

Make loans.

Elect a Board of Directors, Manager and/or Treasurer.

Set up a Supervisory Committee and Auditors.

Set up an Educational Committee which will:

1. Teach members how to use their money, help them sort out problems in repayment, etc.

2. Talk to other students not in the credit union to have them join.

Hold a Membership Meeting to set up the Credit Union.

Hold Board of Directors Meetings during operation.

Hold a Membership Meeting at the end to decide:

1. What dividends will be paid.
2. What happened.
3. What rebates will be given on loan interest.
4. Whether or not to disband the Credit Union.

Discussion: How did the Credit Union benefit the school community.

How does a Credit Union benefit the larger community.

## 10. Consumer Research Panel

This is a service offered by the students to teachers, other students, members of the community. It will provide research information and comparison shopping advice for any product or service in a list compiled by the students in the class.

- draw up a checklist. It may be added to by fellow students, teachers, etc. but should be kept to a manageable limit.
- charge for each product researched to help cover costs involved (Transportation for comparison shopping, etc.)
- circulate the checklist within the school and community.
- when requests are received, assign individual students or work parties to investigate each one.
- for each request, study consumer periodicals, visit local retailers to compare prices, cost of credit, check every available source.
- an identification card may be issued to students by the school to gain cooperation of stores.

- compile fact sheets on products and distribute them to clients.
- prepare bulletin board displays on selected products which were researched.
- do they want to do this again?

## **11. Case Histories**

Discuss the case histories with your group, but leave out the answer. Then, have a round table discussion to find out what you think should have happened. Compare this to the real case.

## **12. Reporting Project**

Have a student who owns a car report on "What My Car Cost Me". Considerations are: Time in working for the money, shopping for the car, closing the deal. Effort: Any repairs done themselves. Expense: Cost, interest, insurance, licence, repairs.

## **13. Signing Up**

Blank contract forms are included with this kit. Teachers can copy these and have students interview each other for loans, sign contracts, etc.

## **14. Speaker**

In Northwestern Ontario a member of the Ontario League will speak on credit unions. Write:

Ontario Credit Union League,  
Credit Union Drive,  
Toronto.

Or contact a local credit union for information.

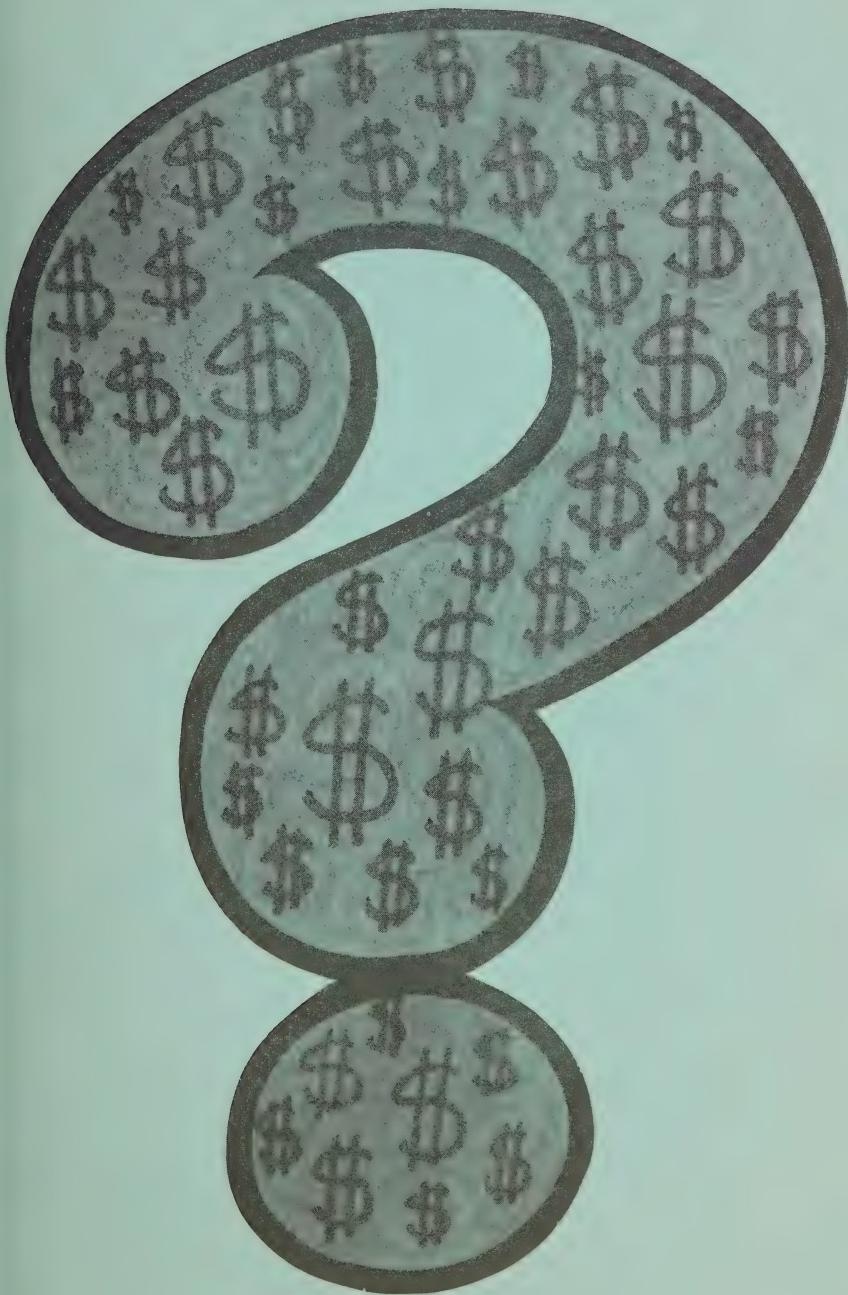
## **15. Debate Topics**

Credit is Immoral

Debtors Prisons Should Replace Bankruptcy Laws.

My use of Credit has Nothing to do With the Economy of the Country.

# Quiz





# Quiz

1. A furniture company sends you a direct mail advertisement saying: "We are offering you the chance of a lifetime! A deluxe woodgrain model 9 piece (including drawers) bedroom suite. This luxury model is made of genuine laminated pressboard. All joints are nailed. Set comes complete with box spring, mattress, headboard and night table. All for the low low price of \$1,000.00. If we don't hear from you by Friday, we assume that you accept our offer."

They don't hear from you, and deliver the suite Saturday morning. Then they bill you.

- a. You can break this contract.
- b. There was no contract because they did not receive any acceptance.
- c. They cannot enforce this contract because it goes against the Statute of Frauds.
- d. If you want it, keep it. If not, throw it away.

Answer: d. The Consumer Protection Act provides that a Consumer is not responsible for any unsolicited goods delivered to him and has no legal obligation in respect to their use or disposal, unless he knows they were intended for some other person.

If a consumer receives unordered merchandise through the mail, or placed on the doorstep, he can legally keep it or throw it out.

2. An aluminum siding salesman calls one day and you agree to pay \$375.00 for materials, \$785.00 for labour, \$135.55 interest, \$2.00 fees, \$5.00 life insurance on contract, and sales taxes, to have your home finished in aluminum siding. The next morning you get up intending to cancel the contract, but as you look outside you see a truck unloading one third of the materials onto your front lawn.

- a. You're stuck. They got here before you got there.
- b. You can cancel the contract with a phone call.
- c. You must hand-deliver a letter to them, or send it registered mail, to cancel the contract within 2 working days of signing. Tell them to pick up the material or you'll charge them damages to your lawn, plus storage charges.
- d. You must hand-deliver a letter to them, or send it registered mail. Then you must bundle up all the material and send it back at your expense.
- e. You must pay for the material regardless.

Answer: c. There is some question whether any redress is available at law for damage to lawn or storage charges.

3. A credit card arrives in the mail. You intend to return it to the company as you did not ask for it, but forget to mail the letter. Then two months later you discover that the credit card is missing and start receiving bills for charges to the account.

- a. You must pay the account.
- b. You can ignore everything.
- c. You should have cut up the card.
- d. You must follow procedure for a lost or stolen credit card.

Answer: b. In fact, you are not responsible for this card

as it arrived unsolicited. However, common sense would have dictated destroying it. Since someone is using the card, you should now write to the company stating that you did not ask for the card, did not sign it, and are not using it. Give them a sample of your signature to compare. It is wise to send the letter by registered mail.

4. You have been turned down for several jobs for which you know you are qualified and in which the interviewer was obviously impressed with you. What should you do?

Answer: One move would be to ask one or all of the companies whether your credit rating affected their decision. The company is obliged to tell you this in the first place, but why wait. Get the name of the reporting bureau. Write and ask them to disclose your file to you. You may find the reasons you missed those jobs in the file. If you find errors, you can then have them corrected and revised reports sent to the firms involved.

5. You buy a curling iron which comes in a box marked: "For bouncier, longer-lasting curls no matter how stubborn your hair." As you pay, the clerk stamps your bill: "Due to the personal nature of hair care items, products are not returnable."

When you get the iron home, you find it does not curl your hair though you have followed the instructions. The clerk tells you that you should have bought a more expensive model as this one is too low in power for your type of hair. Anyway, they say, the item is not returnable because of the stamp on the bill.

- a. You can't return the curling iron for exchange or refund. Because of the notice at time of sale, you haven't a leg to stand on.
- b. You are covered by both the Business Practices Act and the Consumer Protection Act, but you will have to sue.
- c. Offer the clerk a bribe.
- d. Ask to see the Manager.

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- c. Offer the clerk a bribe.
- d. Ask to see the Manager.

Answer: There are several courses of action open to you. b is correct. The Business Practices Act can be involved because the statement on the packaging makes a claim that is not fulfilled. That is a misrepresentation. The Consumer Protection Act provides action against false, misleading or deceptive advertisements. However, your main problem is that the curling iron does not work and you would like to have one that does. Such matters are best settled with good feeling on both sides. You can quietly point out the misleading claim on the package to the clerk. If they still refuse to refund your money, go to the Manager's office. Mention the Business Practices Act and the Consumer Protection Act. They will probably settle with you. Should they refuse, you still have the opportunity to contact the manufacturer directly. They will not wish to risk being sued under either Act. If they do not answer your letter or refuse your claim, contact the Consumer Protection Bureau for assistance.

6. If you buy a car or some other consumer item on credit, can the seller repossess it if you default on a payment regardless of how much you have already paid on it?

- a. Yes
- b. No

7. Does the Province of Ontario have a certain law entitling you to cancel certain types of purchase agreements from a door-to-door salesman?

- a. Yes
- b. No

8. If you sign a consumer contract in your home and decide that you want to cancel it, when can you legally do this in Ontario? CIRCLE ONE ANSWER ONLY.

- a. Within 2 working days
  - b. Within 5 working days
  - c. At any time
  - d. You cannot cancel
9. If you want to cancel a consumer contract over \$50 the day after it was signed in your home, which of the following is/are acceptable means of doing this? CIRCLE ALL THAT ARE STATED AS ACCEPTABLE MEANS.
- a. Telephone
  - b. Letter, personally delivered
  - c. Telegram
  - d. Registered letter
10. If a deposit has been made on some product in advance of any delivery of goods or services and no binding contract has been entered into, can the buyer claim a complete refund?
- a. Yes
  - b. No
11. Credit card accounts..... CIRCLE ONE ONLY.
- a. Are never interest free.
  - b. Are interest free if paid within 30 days of receipt.
  - c. Are always interest free.
12. Can anybody go to the Credit Bureau and examine his/her own records?
- a. Yes
  - b. No

13. Let's talk about the laws that pertain to Consumer Protection. Which of the following does the Consumer Protection Act apply to? CIRCLE ONE ANSWER ONLY.

- a. To all written contracts.
- b. Only to Consumer contracts involving amounts over \$50.
- c. Only to consumer contracts involving amounts over \$100.

14. If a person is between the ages of 18 and 21, is he/she legally responsible for any documents he/she may sign?

- a. Yes, all
- b. No, none
- c. Some, but not all

15. Is the cost of credit or interest rate you pay for credit regulated by law?

- a. Yes
- b. No
- c. Yes, up to \$1,500.

16. Can a consumer shop around for credit from different places?

- a. Yes
- b. No

ANSWERS:

- |              |             |                 |
|--------------|-------------|-----------------|
| 6. b. no.    | 9. b and d. | 13. b.          |
| 7. a. yes.   | 10. a. yes. | 14. a. yes all. |
| 8. a. 2 days | 11. b.      | 15. c.          |
|              | 12. a.      | 16. a.          |

# **For Your Reference/ Further Study**



### It's Your Credit, Manage it Wisely

One of a series in the Money Management Library produced by Household Finance Corporation. Contains useful information people need to deal competently in today's market. A handy kit. Clear. Good table of major credit sources.  
Write: HFC of Canada, 85 Bloor St. E., Toronto, Ontario.

### Report on Consumer Credit

1967. By the Joint Committee of the Senate and House of Commons. A clear, concise report, filled with information on types of credit, background, regulations, social effects of consumer spending, etc. An excellent reference for the person wishing a deeper and wider understanding of credit and its use in Canada, despite the age of the report.  
Write: Information Canada, Ottawa.

### The Wise Use of Credit

A teacher's resource manual with two sections: What are Credit Unions and The Wise Use of Credit. Produced by the Education Department, Ontario Credit Union League and CUNA International, Credit Union Drive, Toronto, Ontario. Clear. Simple. Very good presentation on consumer credit. No charge.

### You, the Consumer

A resource book and text on consumer topics: Planning, Buying, Borrowing, Protecting, Investing and Sharing, published by Wiley Publishers of Canada, 22 Worcester Road, Rexdale, Ontario. Includes reprints of lively articles, interesting projects. Price: \$8.70 each, with 20% discount to schools.

### Your Money Matters

A teacher's resource kit published by the Royal Bank of Canada. Includes six books on subjects from how to read your payslip to budgeting and use of credit. Overhead graphics are included with a list of films available from the Royal Bank on loans and other source material that is available in class sets. Write: The Royal Bank of Canada, Head Office, Box 6001, Montreal 101, P.Q.

## Reading for Ideas

### Future Shock

by Alvin Toffler. Explores the hidden impacts of change. A sophisticated book but clearly, chillingly written. Of possible help in preparing for a move to larger centres. New York. Random House.

### Stranger in a Strange Land

Robert Heinlein. An absorbing adventure in science fiction. One view of our society. One remedy. New York. Putnam (1961).

### The Fountainhead

Ayn Rand. One of several books in defense of the capitalist system. Very exciting. Very readable. Dramatic fiction. Indianapolis. Bobbs Merrill.

### Lord of the Rings

J.R.R. Tolkien. A trilogy creating another world -- one which clearly identifies the results of the concepts 'good' and 'evil'. Adventurous. Exciting. Fantasy. London. Allen & Unwin.

### Sunshine Sketches of a Little Town

Stephen Leacock, published by New Canadian Library, Toronto. Includes a description of opening a bank account in the days of dignified banking, Leacock style. Useful to contrast the different approach banks use today.

### How to Succeed in Business Before Graduating

by Sandman and Goldensen, Collier-MacMillan, Toronto. 307 Ideas and a New Approach to Making Money - Thinking About Yourself - Tackling Problems.

## Films

### Ontario Ministry of Education

This Ministry has a far-ranging library of films, many of which will be useful in economics. Teachers may find here absorbing films to help them present different areas of work, such as the arts and help their students to prepare for immediate jobs, such as secretarial work. The Ministry will loan films to teachers on request. Write: Communications Services Branch, 14th Floor, Mowat Block, 900 Bay Street, Toronto, Ontario. M7A 1L4.

### Ontario Educational Communications Authority

For a manual of video tapes and films available write: OECA, 2180 Yonge Street, Toronto. M4S 2C1. There are special consumer series.



# **Glossary of Some Common Terms**



# Glossary of Some Common Terms

Acceleration Clause A provision in instalment sales contracts under which a default in one payment makes all future payments due immediately.

Balloon Contract An instalment sales credit contract which has as its final instalment a payment substantially in excess of the preceding instalments.

Bona Fide In good faith. Without fraud or deceit.

Chattel A movable possession, such as furniture, cars, livestock, farm machinery.

Collateral Property or possessions deposited as security for a loan or other contract.

Conditional Sales Contract An instalment sales agreement which provides that the seller retains title to goods sold and delivered to the customer until payments have been completed.

Cooling-Off Period In Ontario law, two working days after the signing of a contract of sale over \$50 away from the seller's place of business.

Co-Signer The signer of a note who guarantees repayment of a debt if the borrower fails to repay.

Creditor Someone to whom money is owing.

Debtor Someone who owes money.

Default To fail to carry out; as failure to pay as agreed.

Dollar Cost Determined by subtracting the amount of credit received from the total cost of credit extended.

Durable Goods Products that give long service.

Duress Obtaining consent to a contract by intimidation, violence or terror. Voidable.

Garnishment The legal process whereby a creditor can claim a percentage of a debtor's wages directly from his employer.

Misrepresentation Statements by one party which are untrue, upon the faith of which the other party is induced to enter into a contract. These must be of importance, not trivial. It is a ground for invalidating a contract.

Moral Obligation A debt or responsibility based on a personal promise rather than a legal contract.

Principal The amount of money invested, borrowed, loaned, etc. without charges or other extras added.

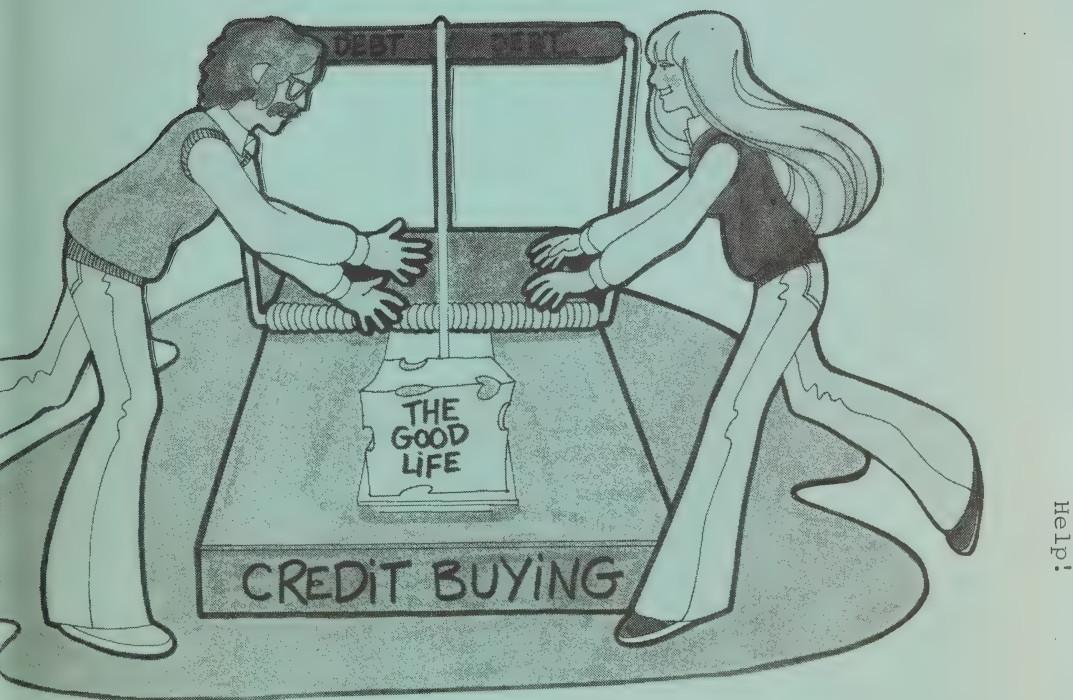
Refinancing The rescheduling of payments on an instalment contract so that payments are usually smaller and spread over a longer period of time.

Repossession The reclaiming of merchandise by the legal owner under an instalment contract when payment is long overdue.

Secured Guaranteed as to payment by the pledge of something valuable.

Title Ownership.

# Help!



Help!



# Help!

(Where to get it)

## Ministry of Northern Affairs

Regional Offices are located in:

Blind River, Cochrane, Elliot Lake, Espanola, Kapuskasing, Kirkland Lake, Mindemoya, Moosonee, New Liskeard, North Bay, Sault Ste. Marie, Sturgeon Falls, Sudbury, Timmins, Wawa, Atikokan, Dryden, Fort Frances, Geraldton, Kenora, Marathon, Red Lake, Sioux Lookout and Thunder Bay.

## Ministry of Consumer and Commercial Relations

### Consumer Services Bureau

This Bureau operates a provincial information and educational service for consumers. It receives and investigates complaints under the Consumer Protection Act and the Business Practices Act. It can tell you where to get help or advice regarding the other Acts.

Regional Offices:

143 Main Street East, Room 206  
Hamilton, Ontario  
L8N 1G4  
Phone: 529-8177

New Court House,  
Box 56000, Terminal A,  
80 Dundas Street West  
London, Ontario  
N6A 2P3  
Phone: 679-7150

Suite 102, 1673 Carling Avenue  
Ottawa, Ontario  
K2A 1C4  
Phone: 725-3679 or 725-1489

139 George Street North  
Peterborough, Ontario  
K9J 3G6  
Phone: 743-8728

555 Yonge Street  
Toronto, Ontario  
M7A 2H6  
Phone: 965-6471

444 Queen Street East  
Sault Ste. Marie, Ontario  
P6A 1Z7  
Phone: 949-0332

331 Regent Street South  
Sudbury, Ontario  
P3C 4E1  
Phone: 675-8878 or 675-1517

Box 5000, 435 James Street South  
Thunder Bay, Ontario  
P7C 5G6  
Phone: 475-1641

250 Windsor Avenue, 6th Floor  
Windsor, Ontario  
N9A 6V9  
Phone: 254-6413

Ministry of Community and Social Services

For credit and debt counselling services contact:

Thunder Bay Family Counselling Agency  
106 Simpson Street  
Thunder Bay, Ontario  
P7C 3H1

Toronto:

Ministry of Community and Social Services  
Credit Debt Counselling Consultant  
1 St. Clair Avenue West  
Toronto, Ontario  
M4V 1K6

Other Sources

If you just want to talk things over with someone, the following people who might be nearby. They are not necessarily trained in the latest laws, but they may be able to help you take an objective view of your problems and see where you must look for further help.

The Manager of a Bank, Credit Union, Lending Agency  
The Personnel Manager of your Employer  
Your local Chamber of Commerce  
Your priest, minister or rabbi

OTHER SOURCES OF INFORMATION

- BETTER BUSINESS BUREAU OF CANADA - 76 St. Clair Avenue West, Toronto.
- CANADIAN ADVERTISING ADVISORY BOARD and Advertising Standards Council - 1240 Bay Street, Suite 302, Toronto.
- CANADIAN APPLIANCE MFRS. ASSOC. (Can. Electrical Mfrs. Assoc.) (Portable Appliance Mfrs. Assoc.) - 10 Price Street, Toronto.
- CANADIAN BANKERS ASSOCIATION - Box 282, TD Centre, Toronto.
- CANADIAN FEDERATION OF INDEPENDENT BUSINESS - 15 Coldwater Road, Don Mills, Ontario.
- CANADIAN FOUNDATION FOR ECONOMIC EDUCATION - 155 University Avenue, 3rd Floor, Toronto. M5H 3B7
- CANADIAN MANUFACTURERS ASSOC. - 1 Yonge Street, Toronto.
- CANADIAN RADIO-TELEVISION COMMISSION - Ottawa, Ontario.
- THE CANADIAN STANDARDS ASSOCIATION - 178 Rexdale Blvd., Rexdale, Ontario. M9W 1R3
- CHAMBER OF COMMERCE - see local Directory.

- CONSUMERS' ASSOCIATION OF CANADA - 251 Laurier Ave. West,  
Room 801, Ottawa,  
Ontario. K1P 5Z7
- CONSUMER COMPLAINT BUREAU - University of Western  
Ontario, Hamilton,  
Ontario.
- THE DEPARTMENT OF CONSUMER AND  
CORPORATE AFFAIRS  
(Federal) - Box 99, Ottawa.
- DIRECT SELLERS' ASSOCIATION - Branch office,  
480 University Ave.,  
Toronto, Ontario.  
M5G 1V3
- FEDERATED COUNCIL OF SALES  
FINANCE COMPANIES - 80 Richmond St. West,  
Suite 404, Toronto.
- THE HEALTH PROTECTION BRANCH  
(Federal Dept. of Health  
& Welfare) - 21 St. Clair Ave. East,  
Suite 1001, Toronto.
- LEGAL AID SOCIETY - Educational Services,  
Health Protection  
Branch, 2301 Midland  
Avenue, Scarborough,  
Ontario. M1P 3E7
- THE MARKETPLACE (fall program) - local address
- THE MINISTRY OF CONSUMER AND  
COMMERCIAL RELATIONS  
(Ontario) - Joan Watson and George  
Finstad, CBC Television
- ONTARIO CO-OP DEVELOPMENT  
ASSOCIATION - 555 Yonge Street,  
Toronto.
- PRESS - 14 Nelson Street, Ste.  
8, Brampton, Ontario.  
L6V 2K7
- RETAIL COUNCIL OF CANADA - Consumer Columns,  
Local papers.
- 74 Victoria Street,  
Suite 723, Toronto.

Check the phone book for other trade associations concerning particular trades.

**BOR 36 HA-1 ED. JAN. '74 ONTARIO — (OUTSIDE GREATER TORONTO AREA)**  
**SMALL LOANS \$1500 AND LESS**

- |                      |                               |                             |                     |
|----------------------|-------------------------------|-----------------------------|---------------------|
| 1. Cashier Code      | 7. Due Day                    | 13. Acct. No. (FB, PB etc.) | 17. Insurance Code  |
| 2. Transaction Code  | 8. Security Code              | 14. Comp. P.O.              | a. Life, Disability |
| 3. Dis. Type         | 9. Source Code                | 15. Comp. Bal. Ind.         |                     |
| 4. Amt. of Mo. Payt. | 10. Fees-Rec. Rel., etc.      | 16. Short Term Debt         |                     |
| 5. Number of Payts.  | 11. Fees-License, Title, Reg. |                             |                     |
| 6. Total Repayable   | 12. Reason for Loan           |                             |                     |

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**NOTE**

If loan is double dated, CARRIAGE RETURN and enter date (MMDDYY).

DO NOT USE THIS AREA

Branch Name and Address Here  
On Inside Copies

← Alignment Guide

Account No.	Type	Social Insurance No.

Name & Mailing Address of Borrower(s) Spouse Occupation

Residence Address ← if not the same

Date of Loan	1st Due Date	Final Due Date	1st Instal.	Other/Instal.	Payable in	Due Date
			\$	\$		Mo. Instal.

Total Repayable/Amount of Note \$ Prior Balance

Cost of Loan \$ Accrued but Unpaid

Cost of Loan \$

\$

\$ ISC Charge

Other \$

Disability Ins. Cost \$

Life Ins. Cost \$

\$

\$

\$ Net on Prior Acct.

Nature of Security \$

% Credit Charge —

Annual Percentage \$

SOC. INS. NO.	AT ADDR	YR	I	D	S	M	T	PR.	LH.	PO.	PT.	SC.	CR.	LNT.	DIS.	L	H	BOA.	DT.	OCC.	SP.	DT.	SP.	OCC.	TOTAL	INCOME

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Prior to signing this application for a small loan from a Consumer Finance Company, a loan application must be filled out, credit rating checked.

## **CHATTTEL MORTGAGE**

**MORTGAGEE**

**MORTGAGOR(S) NAME(S) AND ADDRESS(S).**

LOAN NO.

**BRANCH ADDRESS**

DATE YOU PAY EACH MONTH

BRANCH ADDRESS							
Date of this Mortgage:	First Instalment due date:		Others: Same day of each month	Final Instalment due date:			
Face amount of Loan and amount to be Repaid	Principal Amount of Loan	Monthly Instalments		Insurance Charges		Credit Charges	Annual Rate
		Number	Amount of Each	A & H	Life		
\$	\$	\$	\$	\$	\$	%	
Amount Advanced to Customer	Total Cheques to Others		Total Insurance Rebates		Breakdown of Principal Amount of Loan		
\$	\$	\$	\$	\$	\$	\$	Net Balance of Existing Loans Additional Loan Advanced

In the event of default in payment of any instalment for 10 days or more, I/we understand that I/we shall be required, at the option of the lender to pay a default charge in respect of such instalment of 2% per month (24% per annum) of the gross amount of the instalment so in default. I/we understand that payment of any instalment may, at the request of the undersigned and in the sole discretion of the holder, be extended for a period of one month, for which there shall be a charge of 1½% per month (18% per annum) of the gross balance of the loan outstanding at the date on which such instalment originally became due. Each payment, if unpaid at maturity, shall bear interest at the rate of 2% per month (24% per annum payable monthly) from its date of maturity.

WHEREAS the Mortgagors have on this date signed and delivered their promissory note described above payable to the order of the Mortgagee at its above address, evidencing the amount of indebtedness incurred by the Mortgagors by reason of a loan made by the Mortgagee to the Mortgagors in the amount stated above together with the cost of the said loan; and whereas the Mortgagee agreed to make the said loan upon the understanding that the Mortgagors will contemporaneously, herewith, execute and deliver this chattel mortgage for the purpose of securing payment of the said note.

**NOW THEREFORE** In consideration of the premises and the making of the said loan by the Mortgagor to the Mortgagors on this date in the amount of \$100,000.00, the Mortgagors do hereby grant, bargain, sell and assign unto the Mortgagor, its successors and assigns, the goods and chattels hereinafter described, together with all rights and chattels which may be acquired by the Mortgagors in addition to or in substitution for the same (collectively referred to herein as "the chattels").

The following motor vehicle(s):			LICENSE		
Make - Year - Model	Serial No.	Engine No.	Province	Year	Number

All of the household effects, furniture, appliances and other goods and chattels of every nature and kind now located in or about the Mortgagors' residence stated above, or which hereafter be brought upon the said premises or upon any other premises to which the Mortgagors may remove the said goods and chattels during the currency of this mortgage or any renewal thereof, together with and including without limiting the generality of the foregoing, the following goods and chattels:

TO HAVE AND TO HOLD the same unto the Mortgagee.

PROVIDED THAT if the Mortgagors shall pay to the Mortgagee the amount of the said note and interest according to the terms of the said note and upon due and timely performance by the Mortgagors of all the terms and covenants on the Mortgagors' part to be performed hereunder, then this mortgage shall be void.

The Mortgagors warrant to the Mortgagee that said chattels are their property, free and clear of all liens, mortgages, contracts, debts, charges or encumbrances and claims of any other person. The Mortgagors may pay off the whole or any part of any lien, mortgage, contract, debt, charge or encumbrance claimed, whether payable or not, in respect of any chattel or part thereof, and may pay and receive the benefit of any compromise or arrangement to secure payment of any debt, whether or not it may be binding upon the Mortgagee, and may make any compromise and settle any litigation in respect of the chattels or the amount thereof, and all moneys so paid by the Mortgagors together with all expenses of the Settlement and Litigation in connection with any such payment shall be forthwith added to the principal money hereby secured and shall bear interest at the rate specified in the said promissory note and shall be forthwith due and payable by the Mortgagors to the Mortgagee.

The Mortgagors shall provide safe storage for the chattels and properly care for them and make all proper repairs thereto. The Mortgagors agree not to sell, pledge, encumber or dispose of or part with possession of the chattels without the written consent of the Mortgagee, and shall keep them free and clear of all taxes, assessments, liens and encumbrances and shall promptly notify the Mortgagee of any loss or damage to or the chattels. Mortgagee shall insure and keep the chattels insured against loss and damage by fire, lightning, explosion, theft, robbery, breakage, and other causes of loss and damage, and the premium thereon shall be applied towards the replacement of the chattels or payment of insurance at the option of Mortgagee. The proceeds of any insurance upon the chattels are hereby assigned to the Mortgagee as its interest may appear. If the Mortgagors fail to effect or maintain such insurance, the Mortgagee may effect and maintain the same and all moneys expended by it for such purpose, together with interest thereon at the rate specified in the said promissory note, from the time the same has been expended, shall become a charge on the property and be added to the sum secured hereby.

It is agreed that every article, whether covered or not, covered hereby, shall stand charged with the whole of the amount hereby secured and that no person shall have any right to demand or receive any mortgage money be as heretofore appointed. Mortgage may from time to time release or discharge any article or any other security from these presents without any or sufficient consideration as it shall see fit. No such release or discharge shall release or diminish or pre-judge its security as against any article remaining undischarged or unreleased or prejudice any covenant herein contained or release any insurer or

This mortgage and all of its covenants, promises, conditions and stipulations shall enure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and assigns of the parties hereto. Plural words shall be construed as the singular when there is only one Mortgagor and one Mortgagee.

RECORDED TO INDEX THIS IS A COPY OF A TRUE COPY OF THIS CHITTEL MORTGAGE.

EXECUTED AND DELIVERED the day of the date hereof above written.

This Chattel Mortgage would often be used in the purchase of a car, where the lender takes the car as security. Note that proceeds of insurance in case of accident are assigned to the lender until the loan is repaid.

A loan application would be filled out prior to executing this Chattel Mortgage.

## **CONDITIONAL SALE CONTRACT**

Purchaser hereby purchases from Seller and agrees to pay for, upon the terms below and upon the reverse side hereof, the following goods complete with all attachments and accessories (herein collectively called "equipment") delivery and acceptance of which is hereby acknowledged by the Purchaser in good condition, and as ordered by the Purchaser:

PURCHASER FULL NAME (Not Initials)	SELLER FULL NAME (Not Initials)
NUMBER & STREET	NUMBER & STREET
CITY & PROVINCE	CITY & PROVINCE
	SOCIAL INSC. NO.

QTY.	YEAR MODEL	NEW OR USED	MAKE	DESCRIPTION OF GOODS	MODEL	SERIAL NUMBER	AMOUNT

- |   |          |
|---|----------|
| 1. CASH SELLING PRICE .....   | \$ _____ |
| 2. INSTALLATION.....  | \$ _____ |
| 3. TRANSPORTATION.....  | \$ _____ |
| 4. TOTAL CASH PRICE (Total of Items 1, 2 & 3).....  | \$ _____ |
| DOWN PAYMENT: CASH.....   | \$ _____ |
| TRADE-IN.....   | \$ _____ |
| 5. TOTAL DOWN PAYMENT.....  | \$ _____ |
| 6. UNPAID CASH BALANCE (Item 4 less item 5).....  | \$ _____ |
| 7. AMOUNT INCLUDED FOR INSURANCE FOR ____ MONTHS<br>Based on Total Cash Price—item 4..... | \$ _____ |
| 8. REGISTRATION FEE.....  | \$ _____ |
| 9. AMOUNT TO BE FINANCED (Total of Items 6, 7 & 8).....                                   | \$ _____ |
| 10. FINANCE CHARGE (Based on Item 9) Chart #  | \$ _____ |
| ANNUAL RATE.....  | %        |
| TOTAL TIME PRICE \$ _____   |          |
| TOTAL OF ITEMS 4, 7, 8, AND 10. _____   |          |

Purchaser promises to pay said Deferred Time Balance, at any office hereafter designated by the Holder hereof, in monthly instalments, ..... in the amount of \$ ..... each and one final instalment of \$ ..... commencing ..... 19 ..... or, if no date is specified, one month after contract date, and thereafter on the like date of each successive month with interest after maturity of each instalment at the rate of 18% per annum.

If Purchaser has delivered to the Seller a promissory note for the amount of the said Deferred Time Balance to further evidence debt, payable in the same manner and at the same times as set out hereon, the said note has been given as a negotiable instrument and may be discounted, negotiated or otherwise dealt with by the Seller as a negotiable instrument without the same being subject to any equities as between the Purchaser and the Seller, and the Purchaser agrees that the person or corporation discounting or otherwise becoming the Holder of said note shall be deemed to have acquired the same for value and to be a holder thereof in due course.

FECTLY FILLED IN PRIOR TO PURCHASERS EXECUTION AND A TRUE COPY OF ANY WARRANTY CERTIFICATE GIVEN BY SELLER IN CONJUNCTION WITH THIS TRANSACTION.

**SIGNATURE OF CO-PURCHASER**

**CO-PURCHASER'S FULL ADDRESS**

**SIGNATURE OF PURCHASER**

THE FOREGOING CONTRACT IS HEREBY ACCEPTED AND ASSIGNED TO

DATED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 19\_\_\_\_.

IN ACCORDANCE WITH CONTENTS OF ASSIGNMENT ON REVERSE SIDE

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6-057 ALBERTO

**ORIGINAL**

MR. <input type="checkbox"/> MRS. <input type="checkbox"/> MISS <input type="checkbox"/>	AGE	<input type="checkbox"/> SGL. <input type="checkbox"/> MAR.	NO. OF DEP.	SOCIAL INSURANCE NO.	SPOUSE'S FIRST NAME	RESPONDENT <input type="checkbox"/> ENG. <input type="checkbox"/> FRENCH	
PRES. ADDRESS OWN RENT	HOW LONG	HOME PHONE	MONTHLY PAYMENT	LANDLORD OR MORTGAGE HOLDER	PHONE NO.		
YRS. —— MOS.							
PREVIOUS RESIDENCE			HOW LONG	SPOUSE'S EMPLOYER			
PREVIOUS RESIDENCE			HOW LONG	SPOUSE'S OCCUPATION	BUSINESS PHONE	HOW LONG	SPOUSE'S INCOME \$
EMPLOYER NAME AND ADDRESS: (THREE YEARS EMPLOYMENT HISTORY)				OTHER INCOME — PENSION, FAM. ALL., RENT, ETC. (EXPLAIN)			OTHER INCOME \$
OCCUPATION	BUSINESS PHONE	HOW LONG	\$ NET INCOME	BANK NAME AND ADDRESS		ACCOUNT NO.	
PREVIOUS EMPLOYER			HOW LONG	CREDIT REFERENCES — NAME AND ADDRESS		NO. PAY.	BAL. OWING
CREDITS OR CLOSEST RELATIVE — NAME AND ADDRESS				NAME AND ADDRESS		NO. PAY.	BAL. OWING
FRIEND — NAME AND ADDRESS				NAME AND ADDRESS		NO. PAY.	BAL. OWING

This is a Conditional Sales Contract. Usually used for the purchase of high priced items, such as a home freezer. The credit application is on the bottom of the form.

### LOAN APPLICATION

BR. CODE No.	DATE	HE	SHE	BOTH	DEALER	IN PERSON	BY PHONE	BY MAIL	AMT. APP. FOR (EX. PRES. BAL.) \$				INTERVIEWER			
PRINCIPAL BORROWER'S FULL NAME (NOT INITIALS)						DATE OF BIRTH MONTH DAY YEAR		AGE	SGL	MRD	DIV	WIDR	WID	SEP	HOW LONG	No. OF CHILD.
SPOUSE'S FULL NAME (NOT INITIALS)						DATE OF BIRTH MONTH DAY YEAR		AGE	SOURCE (NEW ONLY)				NEW	FOR	PRS	
ADDRESS			APT. No.			CITY		ZONE		HOW LONG		PHONE				
<input type="checkbox"/> RENTING <input type="checkbox"/> FURNISHED <input type="checkbox"/> UNFURNISHED		RENT \$	NAME AND ADDRESS OF LANDLORD				<input type="checkbox"/> BOARDING WITH WHOM				BOARD \$					
<input type="checkbox"/> BUYING PURCHASE PRICE \$		MONTHLY TAXES \$				NAME AND ADDRESS 1st MORTGAGE HOLDER										
1st MORTGAGE \$		MONTHLY PMTS \$														
2nd MORTGAGE \$		MONTHLY PMTS \$				NAME AND ADDRESS 2nd MORTGAGE HOLDER										
PRESENT VALUE \$		TOTAL \$														
PREVIOUS ADDRESS				HOW LONG		2nd PREVIOUS ADDRESS				HOW LONG						
EMPLOYER				HOW LONG		WIFE'S EMPLOYER				HOW LONG						
ADDRESS				PHONE No.		ADDRESS				PHONE No.						
OCCUPATION		BADGE No.		INCOME	PAY DAYS	OCCUPATION				BADGE No.	INCOME	PAY DAYS				
PREVIOUS EMPLOYER				POSITION		PREVIOUS EMPLOYER				POSITION						
ADDRESS				HOW LONG		ADDRESS				HOW LONG						
AUTO	YEAR	MAKE	CLEAR	NOT CLEAR	NAME OF BANK		LOCATION		ACCOUNT No.(s)							
NAME OF CREDITOR	SECURITY	BALANCE	DATE MADE	AMOUNT	PAYMENTS		DATE LAST PAID	BALANCE	RATING	WE PAID	HOW VERIFIED					
PURPOSE OF LOAN					TOTAL \$			TOTAL \$	TOTAL PMTS WE PAID							
FOLLOW UP INSTRUCTIONS					REGISTERED			DATE	COUNTY-DISTRICT							
DUPLICATE	FOR WHOM	HOW CONF.	MONTHLY NET INCOME					MONTHLY EXPENSES								
LOAN No.			NET TAKE HOME PAY ONLY AFTER TAXES WITHOUT OVERTIME					MONTHLY PMTS. INCLUDING PAYMENT ON THIS LOAN		\$						
CR. INS. SYMBOL			H 40 HR. WK. PAY					W. 40 HR. WK. PAY		RENT OR HOUSE PMTS.						
No. OF INST.			\$	x 4½ = MO. PAY	\$			FOOD								
AMT. OF EACH INST.	\$							CLOTHING								
1st INST. DUE								LIGHT—GAS—PHONE								
FINAL INST. DUE				\$	x 4½ = MO. PAY	\$		HEAT (COAL—OIL—GAS)								
AMT. OF LOAN	\$		OTHER INCOME AVEG. MO. OVERTIME					CAR EXP. (GAS—OIL—TIRES \$40 MIN. PER CAR—TRUCK)								
ANNUAL RATE	%		CHILDREN'S BOARD					BUS TRANSPORTATION								
DATE OF LOAN			OTHER (EXPLAIN)					FAMILY INSURANCE								
CR. LIFE PREMIUM	\$							CHILD CARE (IF WIFE WORKS)								
A & H PREMIUM	\$							CHILD SUPPORT—ALIMONY								
SECURITY (Type of Loan)	\$							OTHER								
DCI PREMIUM	\$	TOTAL MONTHLY NET INCOME		\$				TOTAL ACCURATE MONTHLY EXPENSES	\$							
NACPAC PREMIUM	\$	EXCESS INCOME OVER EXPENSES		\$				EXCESS EXPENSES OVER INCOME	\$							

Note carefully the information required -- because once you supply it, you open yourself to investigation in that field. Supplying your bank account number or bank name gives the credit reporting agency permission to check with your bank, and so on.

Note how carefully a lender checks into every aspect of your life.

Note that adverse information withheld can cause problems for you.

In the words of Psmith of Wodehouse fame, "It's a rum go!"

# PROMISSORY NOTE

LOAN NO.

BORROWER(S) NAME(S) AND ADDRESS(S)

Branch Address \_\_\_\_\_

DATE YOU PAY EACH MONTH

Date of this Note:	First Instalment due date:	Others: Same day of each month	Final Instalment due date:	Official Fees:	
Face amount of Loan and amount to be Repaid	Principal Amount of Loan & Amount Rec'd.	Monthly Instalments	Insurance Charges	Credit Charges	Annual Rate
\$	\$	Number      Amount of Each	A & H      Life		%

In the event of default in payment of any instalment for 10 days or more, I/we understand that I/we shall be required, at the option of the lender to pay a default charge in respect of such instalment of 1½% per month (18% per annum) of the gross amount of the instalment so in default. I/we understand that payment of any instalment may, at the request of the undersigned and in the sole discretion of the holder, be extended for a period of one month, for which there shall be a charge of 1½% per month (18% per annum) of the gross balance of the loan outstanding at the date on which such instalment originally became due. Each payment, if unpaid at maturity, shall bear interest at the rate of 1½% per month (18% per annum payable monthly) from its date of maturity.

FOR VALUE RECEIVED I promise to pay to the order of \_\_\_\_\_ at its above-mentioned office the amount of this note stated above in consecutive monthly payments as above indicated beginning on the stated due date for the first payment and continuing on the same date of each succeeding month to and including the stated due date for the final payment.

If this contract is prepaid in full one month or more before the final instalment due date, the undersigned shall be entitled to a rebate or credit for a portion of the amount of the charges.

Default in any payment of said principal or cost of loan, or any part of either, may be discussed with any present or future employer of the undersigned and shall, at the discretion of the holder hereof render the entire unpaid balance of said principal and cost of loan accrued thereon at once due and payable.

Exemption of time of payment of all or any part of the amount owing hereon at any time or times, or failure of the holder hereof to enforce any of its rights or remedies hereunder or under any instrument securing this loan, or any waiver by the holder hereof of any of its rights hereunder or any release or surrender of any property shall not release any party hereto or surety, endorser or guarantor hereof and shall not constitute a waiver of the right of the holder hereof to enforce such rights and remedies thereafter.

The parties hereto and sureties, endorsers and guarantors hereof severally waive demand and presentment for payment, notice of non-payment, protest and notice of protest of this note.

(Witness)

(Witness)

(Witness)

2-167 (6-75)

**DETACH NOTE BEFORE SIGNING**

This Promissory Note would be used for a loan over \$1,500.00. Only one copy of a Promissory Note is signed TO PREVENT ANY POSSIBILITY OF THE COPY BEING EXECUTED LATER. The Note is filed by the lender. The borrower gets a copy of the Statement of Transaction.

Note: The charge for default.

The space for insurance on this loan. Charges are often high.

Be sure all spaces are filled or stroked out.

Canadian Consumer Credit Outstanding  
1965 - 1975  
Millions of Dollars

YEAR	BANKS	INSTALMENT FINANCING	CONSUMER CASH LOANS	CREDIT UNIONS	LIFE INSURANCE	RETAIL CREDIT	OTHER	TOTAL
1965	2,241	1,198	976	813	411	1,385	132	7,157
1966	2,458	1,258	1,089	937	450	1,441	146	7,778
1967	2,980	1,183	1,225	1,094	486	1,489	159	8,616
1968	3,673	1,221	1,417	1,247	553	1,572	173	9,856
1969	4,157	1,371	2,867	1,401	660	1,682	188	11,134
1970	4,663	1,136	1,715	1,493	759	1,737	203	11,706
1971	5,777	891	1,476	1,690	784	1,832	223	12,673
1972	7,144	1,025	1,621	2,000	813	1,980	307	14,890
1973	8,878	1,151	1,762	2,420	884	2,228	360	17,682
1974	10,817	1,169	1,797	2,762	1,060	2,495	460	20,560
1975	13,154	1,152	1,755	3,191	1,157	2,755	564	23,728

These statistics may be useful in noting the relationship of loan sources to one another. Students might do graphs based on these statistics, or contact Statistics Canada for figures on the general increase in personal income during the last ten years and in personal savings.

# Tips you can use!



# How to Write a Complaint Letter

- be factual
- don't be apologetic
- don't threaten
- keep your sense of humour and you'll get the reader on your side
- include the following information:
  - a. Your name, address and telephone number.
  - b. The name of the offending company and its address.
  - c. Make of product, model year if applicable, and warranty number if it is a warranty complaint.
  - d. A brief description of what took place on what dates, and what was done to solve the problem.
  - e. A brief account of the cost to you including money, time lost from work, cabs, buses, and getting repairs or assistance elsewhere.
  - f. Copies of work orders, letters, receipts, or other written material between yourself and the company. Never send originals -- get them copied.
  - g. Briefly describe the conduct of the person you dealt with. It is not necessary to be too explicit -- the term "offensive language" will cover a multitude of sins.  
Include how the complaint was received, their willingness to talk things over, their efforts to resolve the problem.
  - h. Address your complaint to the top. Find out the name by calling the company and asking.
  - i. Send copies to government agencies or consumer groups which might be able to help. List them under the heading: "Copies to" at the bottom of your letter.  
See "Help!"

j. It is important that your letter goes to the right person. Take some time to find out who that person is, and take the time to write it well.

# The Speaker in the Classroom

## Checklist for the Teacher

### Picking a Speaker

1. Pick a model. 'This person represents the banking industry'.
2. Pick someone who knows his or her subject, is willing to be flexible, likes young people and wants to help.

### Preparing

3. Try to avoid having a speaker talk to the whole school at once. Such large numbers make a real exchange of information almost impossible.
4. Survey the class. If possible, have them prepare five or six questions they want answered.
5. Be prepared to give the speaker, verbally or in short notes, a lesson plan which details exactly the material you would like covered.
6. Be careful to give the speaker enough notice to allow preparation.
7. Some notes for the speaker are enclosed. You may wish to give the speaker a copy when you first speak to him or her.
8. Call the speaker within a few days after your initial talk. He or she will have had time to think things over, read your notes and make some mental plans. A short discussion with you now can clarify the speaker's thoughts and get them moving.

# Notes for the Speaker

## When You Are Talking With The Teacher

1. Find out who you will be talking to -- a class or the whole school? Where? The home room or a gym?  
It is the difference between a talk by you and a discussion with them.
2. Find out what the teacher doesn't know about the subject. You are needed to provide new materials as well as a new face.
3. Find out what the class and the teacher really want to know.

## Preparing

4. Limit yourself to 15 minutes of input. This can be spread out with questions mixed in if the group is small enough.
5. Booklets or anything you can hand out serve to focus attention on your subject, remind them once you've gone.
6. If the students have been studying the topic, they will be prepared with questions for you. Then you can deal more specifically with the topic.  
If they have not been studying the topic, give an overview.
7. Remember that a speech is listened to as music is heard -- it flows, certain parts stand out, but there is not time to stop and run over in your mind the last few bars. The player has moved on! The waltz has become a rag, and you must stay with him or stop listening altogether.  
Because of this, give only the highlights of your subject. This is especially important if you are speaking to a large group, because it is difficult to

get a 'give and take' going. With a single class your questions will bring out answers and further questions, until the class has covered far more detail than you would have thought possible.

## Arrive Ahead Of Time

### When You Are Faced With The Class

#### Ways of Getting Started

8. Find out what they've been doing so far. Ask them questions, not just on the subject matter but on their approach to the subject in school.  
Don't give out a lot of material at this point. Try to tune in to where they are -- find out what they want to hear.
9. Alternately, you might explain who you are, where you are from. Give little facts about yourself, like "Yes, I am married. I'm \_\_\_ years old." This fits you into a framework, makes you a person and satisfied their curiosity about you. Now they can relax and pay attention to the subject on which you have come to speak.

#### Ways to Keep On

10. Don't be too established in what you are going to say. No written text. If anything, a few notes on large points to cover.
11. If you have a gimmick, now is the time to spring it on them. It will draw their eyes away from you and focus the conversation on something they can see and feel and relate to.  
(A speaker on environment control brings a bag of garbage to some classes. At this point, he spills it onto the floor. This kicks off discussion on the things people throw away, and eventually gets back to his point.)

12. Continue using questions to keep them with you, part of the discussion. Use questions to introduce new angles: "Now what do you suppose would happen if .... Does anyone know where to find .... How would you go about ...." Get to new levels of thought by building on questions and answers. They know the answer -- you just have to learn to ask the right question!
13. Keep it activity oriented if possible. In class groups, skits are possible.  
(Same environment control speaker: "I'm a Beckers manager and you are a customer who doesn't want to buy non-returnable bottles. But I only stock non-returnables. What would you do?" Ask for volunteers. Repeat with one or two. Don't be afraid to stop the skit and replace the volunteer if it isn't working. Pretty soon they're suggesting other approaches. This gets them interested and gives them something they can do -- a way they can act on the knowledge you have brought to them.)
14. Give them a new skill.  
How to make an ecology system, how to talk to a Beckers manager, how to open a bank account, how to open a safe, how to complain when they see unfair practices, etc.
15. Audio visuals are often useful. Keep films short - 12 to 15 minutes. Slide shows are useful, but they must be relevant. You could liven them up by encouraging discussion during the viewing. Turn off the sound and start asking questions related to the material on the slides.
16. A good ratio: 50/50 informative talk and questions.

## Other Skits and Questions for Ideas

A Banker. "I am walking into a bank. There's a security guard. The teller is over there. That's where you draw out money. The information people are behind another counter. In the back is the vault, etc." Describing the scene graphically.

"Okay. I'm a teller and you want to open an account."

"How much money do you think is really kept in a bank?"

Tell them about bank robberies. This leads to safety precautions. How quickly could the police get there?

Would they want to be a bank manager?

Describe what people do in a bank.

Show a bank book and discuss why they should have a bank account.

How banks control the economy of the country.

Interest rates.

Legislation regarding banking.

How to take out a loan.

What is credit?

Car Dealer. "I'm the salesman and you want to buy a new car. What's the first thing you want to know?"

Lawyer. "A man comes into the office and wants to sue his neighbour for libel. What do you do?"

Speaker on Business Practices. "I'm the clerk and I've sold you this wristwatch. Now it's not working. What do you do?"

"I'm a door-to-door salesman, and I'm going to sell you something. Just open the door when I knock on it."

## Sources of Free Pamphlets

The following list gives names and addresses of agencies that have indicated their willingness to provide free pamphlets as resource materials. Contact them directly for copies of the pamphlets.

Bank of Montreal  
First Canadian Place  
Toronto, Ontario M5X 1A1

- Banking Forms

Better Business Bureau  
85 Richmond Street West  
Suite 900  
Toronto, Ontario M5H 2E7

- Series - 16 books

Canadian Association of Broadcasters  
1240 Bay Street  
Suite 302  
Toronto, Ontario M5R 2A7

- Broadcast Code of Advertising for Children  
- Canadian Code of Advertising Standards  
- Advertising Today  
- Code of Consumer Advertising  
- Practices for Non Prescription Medicines

Canadian Bankers Association  
Box 282  
Toronto Dominion Centre  
Toronto, Ontario M5K 1K2

- Your Money & Credit Today and Tomorrow  
- Banking for your Club

Canadian Consumer Loan Association  
21 St. Clair Avenue East  
Toronto, Ontario M4T 1L8

- It's Your Money  
- Canadian Consumer Credit Fact Book - 1974

Canadian Foundation for Economic Education  
155 University Avenue  
Toronto, Ontario M5H 3B6

- Perspectives  
- Rapport

Canadian Imperial Bank of Commerce  
Head Office  
Commerce Court  
Toronto, Ontario M5L 1A2

- Focus on Your Finances Series

Canadian Life Insurance Association  
15 Floor, 44 King Street West  
Toronto, Ontario M5H 1E9

- Hot Line: 1-800-261-8663  
- How to Live Happily with a Price on your Head  
- Sharpen your Pencil  
- You & your Group  
- After the Gold Watch  
- That's Life  
- Sunshine Sketches  
Schedule: Lively Woman TB Series  
How to Compare (Life Policies)

Canadian Securities Institute  
Box 225  
Commerce Court South  
Toronto, Ontario M5L 1E8

- Investment Terms & Definitions

Canadian Standards Association  
178 Rexdale Blvd.  
Rexdale, Ontario M9W 1R3

- The Consumer - Newsletter

Central Mortgage & Housing  
650 Lawrence Avenue West  
Toronto, Ontario M5A 1B2

- Housing for Rural People
- Loans for New Homes
- Loans for Existing Housing
- Mobile Homes
- Home Improvement Loans
- Neighbourhood Improvement Loans
- If You have Ever Dreamed of a Home of Your Own
- List of Offices

Consumer Corporate Affairs  
480 University Avenue  
Toronto, Ontario M5G 1V2

- Helping You Get a Fair Deal
- Who We Are and What We Do

The Consumer Interest  
University of Guelph  
Department of Family Studies  
Guelph, Ontario N1G 2W1

- Newsletter of current books

Thomas Cook Travel  
Toronto Dominion Centre  
Toronto, Ontario  
M5K 1K8

- Specimen Cheques & Sleeves
- Readers Digest Report
- Foreign Currency - Swiss, Japanese, Hong Kong

Credit Grantors Association of Canada  
60 Bloor Street West  
Toronto, Ontario M4W 1A2

- How to Use Consumer Credit Wisely

Eaton's  
Consumer & Corporate Affairs  
19th Floor, 1 Dundas Street W.  
Toronto, Ontario M5B 1CB

- What You Should Know About Buying .....(Series)

Great West Life  
111 Richmond Street West  
Toronto, Ontario M5H 2G4

- What Everyone Should Know About Life Insurance

Insurance Bureau of Canada  
170 University Avenue  
Toronto, Ontario M5H 3B3

- A Young Driver's Guide to Car Insurance
- Drinking, Drugs and Driving
- Car Insurance Explained
- Home Insurance Explained
- Facts of the General Insurance Industry of Canada

Milk Marketing Board

50 Maitland Street  
Toronto, Ontario M4Y 1C7

- Teaching Nutrition Effectively (Program)
- The New 7-Day Milk Diet
- The Milk Diet Plan

Ministry of National Health & Welfare

Ottawa, Ontario  
K1A 0K9

- Disability Benefits under the Canada Pension Plan

Ontario Co-op Development Association

Suite 8  
14 Nelson Street West  
Brampton, Ontario L6X 1B6

- Co-ops are People Series

Ontario Food Council

1200 Bay Street  
9th Floor  
Toronto, Ontario M5R 2A7

- Guide to Good Eating
- Frozen Foods

Ontario Real Estate Association

99 Duncan Mill Road  
Don Mills, Ontario M3B 1Z2

- A Career in Real Estate - Is it for You?

Ontario Ministry of the Attorney General

Publications Centre  
3B-7 Macdonald Block  
Queen's Park  
Toronto, Ontario M7A 1N8

- Your Rights & Obligations Under the Landlord and Tenant Act

Ontario Ministry of Consumer & Commercial Relations

Ontario Consumer  
Queen's Park  
Toronto, Ontario  
M7A 2H6

- Interaction
- Booklets
- Organizing a Co-op in Ontario
- Ontario Consumer Newsletter
- Rent Review

Ontario Ministry of Health

7th Floor, 7 Overlea Blvd.  
Toronto, Ontario M4H 1A8

- The Ontario Health Insurance Plan - General Guide

Ontario Ministry of Housing

Community Renewal Branch  
Queen's Park  
Toronto, Ontario M7A 1N3

- Ontario Home Renewal Program

Royal Bank of Canada

20 King Street West  
Toronto, Ontario M5H 1C4

- Comparison Chart -- Sending Money out of the Country

Scotiabank

44 King Street West  
Toronto, Ontario M5H 1A2

- Banking forms

Toronto Dominion Bank  
P.O. Box 1  
Toronto Dominion Centre  
Toronto, Ontario

- Code of Advertising Practice

Toronto Stock Exchange  
234 Bay Street  
Toronto, Ontario M5J 1R1

- List of publications and reports
- Ticker tape and all that

Unemployment Insurance Commission  
and Manpower Canada

890 Yonge Street  
Toronto, Ontario  
M4W 2J2

- Rights and Obligations
- Illness
- Maternity
- Students

Unity Bank of Canada  
85 Richmond Street West  
Toronto, Ontario M5H 2C9

- Banking Forms



# Consumer Education Resource Materials



## Part 2: Transportation



Ministry of  
Consumer and  
Commercial  
Relations



## Introduction

This Consumer Studies Kit is a direct result of discussions with educators in Northwestern Ontario. Its intention is to help you equip students to live full and useful lives, using their earnings, their credit and the marketplace as tools with which to achieve their aims.

Any thought, however brief, that students can be stimulated into giving to personal values, planning how to achieve an aim or develop a talent, or where and how to spend their money will be helpful later. The education you are providing can help reduce the need for additional consumer protection laws. Any legislation is a restriction of personal freedom, yet it is often necessary to reinforce the balance in the marketplace.

In preparing this material, we have not tried to dwell on the different kinds of rip-offs that perennially appear, nor do we wish to help send a shrewd, fearful, 'me first' graduating class into the marketplace. Rather, we hope they will see themselves as competent persons who can function effectively. And the marketplace, let it be seen as 'a rich and friendly resource, with a few danger spots around the edges.'

That is a quote from Fred T. Wilhelms, Ph.D., editor of *The Consumer Educator*. He has called Consumer Studies one of the humanities and suggests:

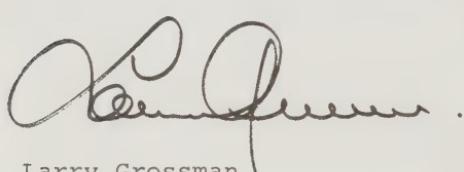
"While you are building your students' foundation of competence in buymanship, you can very naturally and with relative ease build also a superstructure of terribly important knowledge, insights, and attitudes. I have divided this superstructure into three areas:

1. You can help your students toward a rich image of the personal and family life they want to work toward, the values they mean to live by, and the commitments they will not forsake.
2. You can help your students toward a working familiarity with their economic system as it really is, along with developed values and commitments as to what they want to see it be and do.

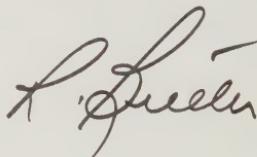
3. You can help your students toward a working acquaintanceship with the processes of government as they really work and with some of the major governmental institutions; even more important, you can help them work through to the beginnings of a social philosophy, a set of values and commitments they will push for as citizens."

As you can see, we feel that Consumer Studies is probably one of the most worthwhile courses you will teach. Putting this kit together has been an enriching and rewarding experience for all of us at the Ministry. Many of us met many of you. We found lively, interested people, working to keep courses up to date. We hope this Kit will be an 'encyclopedia of information' from which you can pull the facts and idea-starters you may need.

We are working now to develop information on other topics, but we need your input. Please keep in touch. Let us know how you are using this Kit and what you might like to see added so that it can be a useful tool for your work.



Larry Grossman  
Minister



R. J. Butler  
Deputy Minister

Please address any correspondence to:

Consumer Information Centre  
Communications Services Branch  
Ministry of Consumer and  
Commercial Relations  
555 Yonge Street  
Toronto, Ontario  
M7A 2H6

## How to Use This Kit

1. This section is broken into sub-sections such as Sources, Costs, Guidelines and Laws.
2. There is an index at the beginning for easy reference.
3. Projects and Topics for Discussion are included and are designed to provide situations students can encounter and work their way through.
4. Where applicable, blank forms have been included for use in class. You may wish to copy them for distribution or use them as overheads.
5. Extras such as audio visuals, graphs and tables have been noted at the end of the Index.
6. Where possible, lists of books have been included which may help students see topics from new angles.
7. The illustrations on most coloured dividers may be used as overheads.
8. The looseleaf style is used to let you pull information from several sections when planning a lesson.
9. Information is given in point form so you can skim it quickly, use pages for notes when teaching, use them as overheads, or copy them for passing to students.
10. Only the facts have been provided so that you and your students can draw your own conclusions.

The Kit has been divided into 5 parts: Credit, Transportation, Money, Housing and Insurance. Copies of these other parts are available by writing to:

Consumer Information Centre  
Communications Services Branch  
Ministry of Consumer and  
Commercial Relations  
555 Yonge Street  
Toronto, Ontario  
M7A 2H6



Teachers may order limited class sets of the brochures published by the Ontario Ministry of Consumer and Commercial Relations - please check below. You may note government publications required in the spaces provided. We will forward your request to the office involved.

Books listed in the Reference and Bibliography sections must be ordered from the publishers, whose names are provided. A nearby library may have many of these books available, or may be willing to order them for your use.

#### MINISTRY PAMPHLETS

- |  |  |
|--|--|
| <input type="checkbox"/> BUYING A CAR INCLUDING<br>TIPS ON RUST INHIBITION | <input type="checkbox"/> STARTING A SMALL BUSINESS   |
| <input type="checkbox"/> CO-OPS ARE FOR PEOPLE                             | <input type="checkbox"/> THE WISE CONSUMER           |
| <input type="checkbox"/> BUYING A CONDOMINIUM                              | <input type="checkbox"/> TRICKS OF THE MARKETPLACE   |
| <input type="checkbox"/> CONSUMER PROTECTION ACT                           | <input type="checkbox"/> USING CREDIT WISELY         |
| <input type="checkbox"/> CONSUMER REPORTING ACT                            | <input type="checkbox"/> CONSUMERS GUIDE, B.P.ACT    |
| <input type="checkbox"/> GETTING A MORTGAGE                                | <input type="checkbox"/> BUSINESSMANS GUIDE, B.P.ACT |
| <input type="checkbox"/> GUIDE TO MINISTRY SERVICES                        | <input type="checkbox"/> CREDIT AND YOU              |
| <input type="checkbox"/> MOTOR VEHICLE ACCIDENT<br>CLAIM FUND              | <input type="checkbox"/> LIVING IN A CONDOMINIUM     |
|  | <input type="checkbox"/> INSURANCE                   |

Please send a copy of the pamphlet(s) I have checked to:

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Name

Street No. and Name

Apartment No.

---

City or Town

Province

Postal Code

Other Publications:

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Fold, Stamp and Mail to:

Consumer Information Centre  
Communications Services Branch  
Ministry of Consumer and  
Commercial Relations  
555 Yonge Street  
Toronto, Ontario  
M7A 2H6

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See Audio Visual #0-7-1, The Credit Squeeze  
Brochures and Booklets enclosed

# Transportation

If you want a business jet tough enough  
to fly 50 years,  
here are your choices:

Sabreliner® is the only business jet with FAA Safe Life certification.

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Rockwell International, 6161 Aviation Drive, St. Louis, Missouri 63134.

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where science gets down to business



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Transportation



# **Transportation**

Any time you use a mechanical means to get yourself or your goods from one place to another, you are using transportation. This word takes in a range from bicycles to mopeds to motorcycles (off-road and street bikes) to snowmobiles to cars to all terrain vehicles, buses, trains, planes, boats and ships.

As most of the guidelines for buying and maintenance will apply in some way to all vehicles, they are covered under the heading "Cars". Specific details about other forms of transportation for personal use are found under "Other Vehicles".



# **Objectives/Role**



# A World Without Cars

All the cars had gone. We had grown tired of nursing huge, heavy slabs of metal wherever we went. We had sickened at the broken bodies of a crash too often. We had devised every sort of mechanical puzzle possible, and run through every styling change possible, but at the last, boredom had set in. So we had abandoned our huge toys for other concerns.

Now, city streets were largely unused. Little cracks had begun to appear in the pavement. Grass and weeds pushed their way through, here and there a flower. In the country pavements had buckled the first winter. Skyways had begun to topple. Already, moss and lichen covered many of the concrete supports. The earth was gradually reclaiming her own.

Now the people had begun breaking up the streets to extend their homes. That land was up for grabs. On some streets it was used to provide food. There was Dairy Street, where they kept cows, Potato Street, where they grew spuds, Avocado Lane, Pineapple Boulevard, Squash Court. Companion planting, used to keep each vegetable free of its major insect pests, made the streets gay. Tomato Alley flourished brilliant with its red fruit, green vines and yellow marigolds.

Trading had sprung up between the streets. Bargainers and deputies had been appointed to speak for each group. A new way of life had begun. (?New?)

But how did people get around? How did they go to work, school, entertainment? How were goods moved? Furniture? Building materials? How would films be made, records cut, concerts given? What other forms of transportation could be used? What would we have to give up in order to use them? What do we give up now in order to use cars?



# Topics for Discussion



## The Awful Facts

Pollution Probe Ottawa has issued a 120-page report entitled "Motor Vehicle Traffic in Ottawa". It deals with the impact of the automobile on the environment, its efficiency, and its consumption of energy, this last being the most recent bogeyman in a world where part of the facts terrify and all of the facts are impossible to get.

Some of the statements in the report are as follows:

- because of its exhaust carrying, mind-and-body-destroying pollutants, its brake linings shooting off harmful asbestos fibres and the nerve shattering noise it creates, the automobile has to go.
- the public must forget the concept of private individual ownership of the motor vehicle.
- motor vehicle traffic constitutes the largest single source of air pollution in the province.
- the car and its relatives are responsible for most of Ottawa's noise pollution, and contribute heavily to the presence of nitrogen oxides, oxidants, respiratory irritants, carbon monoxide, asbestos and lead in the air Ottawans breathe.
- automobiles are used wastefully. Average 'ridership' is 1.2 people per car.
- the internal combustion engine is wasteful. Inefficiency prevents it from fully utilizing the gas it gulps.
- even multi-passenger buses have to go.
- the carbon monoxide from exhaust can cause impaired visual sensitivity, psychological problems and failure to judge time intervals.
- hydrocarbons can result in injury to body cells and eyes.
- carcinogens can cause skin and lung cancer.

- oxides of nitrogen cause severe respiratory effects, brain damage, and kidney malfunctions. (Results from the lead in the atmosphere.)
- the asbestos fibres from brake linings are the same fibres which have been proven related to lung cancer.
- emission controls are not enough.
- a rapid transit system is called for in Ottawa.
- the 'dial-a-bus' system and 'park-and-ride' are cited as helpful.

Does the value of a motor vehicle outweigh the price we pay in mind, body and cash? What about the ecological cost? So much for the internal combustion engine. How does the air polluting effect of motor vehicles affect people living in Northwestern Ontario?

How does noise pollution affect wildlife? Snowmobiles and all terrain vehicles mean that animals literally cannot get far enough away from the habitations of man to live in peace. What about the destructive and cruel practice of chasing animals to their knees on these vehicles. How would the people in the area be affected if the wildlife were to disappear?

## What Else?

Science fiction writers have been grappling with the problem of individual transportation for masses of people for years. Examples are found in *Brave New World*, capsules called by computer; *The Roads Must Roll*, with moving sidewalks; and *The Stars My Destination*, where people jaunted. Many such fantastic ideas have come true or are doing so now. What examples of public and private transportation systems can be recalled from books of this type? How did they work? Would they be useful? Restrictive? Comfortable?

Do we have any reasonable alternatives to the problem of individually owned and operated transportation?

## **Electrically Yours**

Some people have considered the electric car seriously enough to put it on the market. The test report from Consumer's Union which follows doesn't paint too bright a picture, but the Copper Development Institute has built a prototype electric car which sounds very practical. It looks like a Vega, goes faster and further than the car described here. Information can be obtained on this car by writing the Institute in New York, U.S.A.

What other types of engines are available? What happened to steam cars? Must we burn gasoline?

## Notes from an Auto Tester's Diary

CU's auto testers customarily familiarize themselves with vehicles by driving them to and from work and on errands before and during the formal testing program. Here is how it went with one of CU's testers during a day of driving the CitiCar:

**8:00 A.M.**: Went out to car, unplugged battery charger, and coiled up the extension cord. Wiped dew off glass with hand-



kerchief. Got in, buckled up with some difficulty. Glass fogged again from my breath. Wiped glass again. Switched on power and stepped gingerly on accelerator. Powertrain screams. Fluttering along at top speed, about 30 mph, with unsteady siren emanating from somewhere below the seat. More window wiping to keep pace with breathing. Fairly smooth road tosses the little plastic box so violently that steering a steady course is difficult.

The scream from the powertrain drops in pitch, and the speedometer needle plummets. Momentary panic--then realize the car is negotiating a slight grade, one I hardly ever noticed in other cars. Car climbs slowly but steadily. Incredulous glances from other motorists. Otherwise, the remainder of the trip to work is uneventful.

**5:00 P.M.**: Returning from work. Confidence builds. Ignore catcalls. Pleased about all the gasoline I'm saving.

**8:05 P.M.**: After dinner, daughter asks for a ride to friend's house, three miles away. So far, car has gone just 10 miles to and from work. Should be no problem; manufacturer claims at least 25 miles on full charge. On return trip, decide to detour to cigar store in next town, another five miles, for a total of 21 miles. On the way, car lacks zip. But battery indicator shows plenty of charge left.

**8:20 P.M.**: Getting dark. Coasting down hill to cigar store, turn on headlights. Buy a magazine, start for home.

**8:25 P.M.**: With the lights of town behind me, notice only faint orange glow on pavement from headlights. Can hardly see road ahead. Let up on throttle, lights brighten appreciably. Feeling uneasy. Switch off headlights and drive along on parking lights.

**8:30 P.M.**: Instrument-panel light now dull orange. Car really slowing down. Pull to right as far as possible to let line of cars behind pass.

**8:35 P.M.**: The car with the red blinker doesn't pass. Police. Park and explain to officer that stopping 10 minutes or so would allow batteries to recover. Officer mumbles to himself, drives off. All power off, waiting.

**8:47 P.M.**: Apply power. Car leaps forward as if fully rejuvenated. Proceed without headlights, just to be sure.

**8:50 P.M.**: Spurt of energy lasts only about one mile. Back at the side of the road. Watch mirror

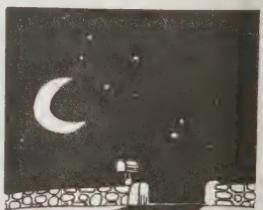


for approaching cars; when one comes along, on with emergency flasher for just a few blinks.

**9:20 P.M.**: Start out again. Progress obviously labored. Come to a halt after another quarter mile, at the foot of a small rise.

**9:25 P.M.**: Patience near end. On quarter-mile more to go. Two more rest stops needed.

**9:45 P.M.**: Finally roll down driveway. Driver and passenger both drained.



## The Ostrich Syndrome - It Can't Happen to Me

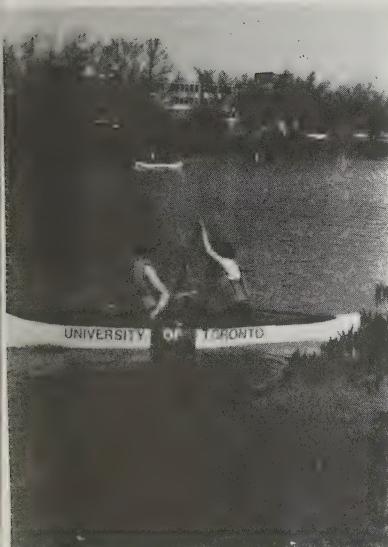
Dr. W. Ghent, a noted expert on automobile safety and emergency medicine, provides the following statistics:

- the automobile has killed more people than all wars in recorded history.
- in 1969, 6,000 U.S. troops under age 30 were killed in Viet Nam.
- in 1969, 25,000 young men and women were killed in auto accidents in the U.S.
- in Canada, 17 people are killed and some 500 are injured every day in automobile accidents.
- at any given time 10% of all hospital patients in Canada are accident victims.
- according to Dr. Ghent, this adds up to a "hostile environment".
- he wants stricter licensing, with special training programs to teach people how to handle their vehicles in emergencies -- in a skid or when cut off at 70 mph on the highway.
- in 70% of accidents investigated by his team, the driver was at fault. In most of the other accidents, the driver was the secondary cause -- due to their inability to handle their vehicles well, a difficulty became an accident.

How do these figures affect a driver's need for insurance?  
How can a driver improve on the 1 in 8 odds of being injured in a motor vehicle accident every year?

## **What Next?**

There's a way to do anything, as University of Toronto students proved with "The Boat That Shouldn't Float". What boat-building techniques are familiar to the class? Have they ever worked on a boat? What materials are most abundant and useful for such a project? How could such a project be financed?



The University of Toronto's concrete canoe in action

A whimsical and capricious challenge — and Nora Stewart, a University of Toronto student, is racing a concrete canoe against 27 American Universities. How do things like this happen?

The American Concrete Institute is an association involved in the technical aspects of concrete design. Yet four years ago this staid group threw out an odd ball challenge to Canadian and American universities — build and race canoes. Take the most unlikely material, concrete, and use your imagination and ingenuity and push that material to its limit.

Make a canoe that not only floats, but one you can race — and you will be rewarded, naturally, with a concrete trophy. If you do happen to sink in the race, and if you are lucky enough to sink first, you win a special award — a concrete paddle. In the Ontario race in 1974 McMaster University's 500 pound concrete canoe sank in Toronto's Grenadier Pond — so it was back to the drawing board for them. What kind of person is stimulated by this kind of off-beat contest? Engineering students. Nora Stewart is a third-year civil engineer from the University of Toronto who in the last two years has won all the Canadian and American races she has entered. Not only does Nora race canoes, she helps to build them.

The ladies weren't allowed to compete in the first two years of racing. Perhaps, the few girls in civil engineering were not considered expendable in the early development period. The horrible fact is that the first canoes had a tendency to cling to the bottom of the river.

This year at Lake Seneca, King City, On-

tario, 17 universities and community colleges competed. The University of Toronto won the 14 foot canoe events for men and women, each using the same canoe. There are two classes, the 14 foot and the 16 foot canoe. Having cleaned up the local opposition it was off to Columbus, Ohio, where 27 American universities awaited the only Canadian competitor.

Columbus, Ohio is a little like an Indianapolis 500 for concrete canoes, except the crowds ignore it. There may have been some other fascinating competitive event like a pancake eating contest that caught the public's fancy. However, like the cars in the Indianapolis 500, it is the design that counts, a slow car is beaten before the race starts. But four years to design the canoes had eliminated the 500 pound tortoises — this was a race.

The American Concrete Institute had another equalizing rule — the design of each canoe had to be submitted before the race. After the race, the design was available to other competitors to copy. The result — canoes were becoming lighter and faster.

Nora described the Ohio race. "We completely psyched out the opposition before the race even started. The other teams were unloading their equipment, and teams were carrying their canoes down to the water. The University of Toronto canoe was picked up by one man, casually carried down to the water and tossed in. It was like driving a modern Porsche up to the starting line against a group of Ford Model T's."

"The race?"

"I think we could have stopped for

coffee and still won it — we took the men's ladies' and faculty members' races for the 14 foot canoes."

"Anything else of interest about the race?"

"We bought the local paper that covered the event and there it was in the headlines — St. Louis Comes Second in The Concrete Canoe Race — away down in the small print a note — University of Toronto won the race."

**T**he Toronto canoe was obviously a surprise design, could you describe its construction?"

"Our fourteen foot canoe weighed only 65 pounds, and was made of concrete, reinforced with glass cloth. We used a latex additive in the concrete mix. The concrete was only 3/8 of an inch thick.

We spent a lot of time sanding the outside shell and we painted the exterior to give it a smooth surface."

"Your canoe then was only slightly heavier than a regular fibreglass and resin canoe. Does this mean it might be built commercially and sold?"

"No, the alkali chemicals in the concrete eventually attack the bond of the concrete to the glass. The canoe has a life of about five years."

A concrete canoe — it is the engineer's nature to accept challenges and overcome obstacles. Well done University of Toronto, with the Bluenose on our ten cent piece, Ned Hanlan on our Olympic coins, perhaps for one year we could change our silver dollar. Let's shift off the Indian canoe and replace it with the University of Toronto's concrete canoe — the boat that shouldn't float.

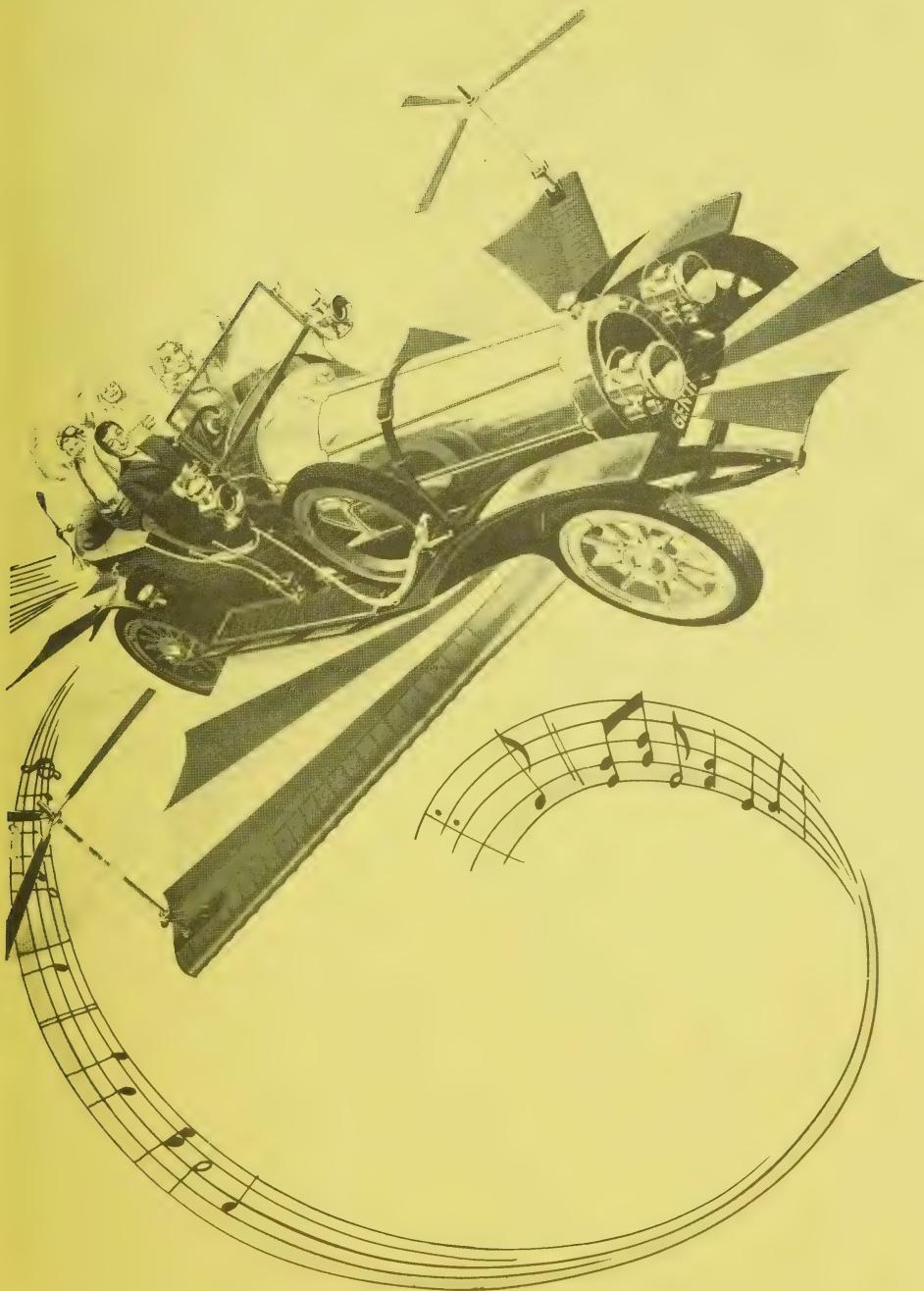


## UP, UP AND AWAY

The world's smallest fanjet engine, developed and built by Williams Research Corporation of Walled Lake, Michigan powers an individual flight system that enables a man to fly 10 miles at speeds up to 60 miles per hour. The mini-turbine weighs only 67 pounds and produces 430 pounds of thrust. The operator can move forward, backward, sideways, rotate and hover at a standstill. Potential applications include law enforcement, forestry, news coverage, rescue and various military uses. This system was pioneered and developed by Bell Aerospace Division of Textron and incorporates the Williams developed fanjet engine. Advanced flight systems having greater range and performance are now being developed by Williams. The longest manned flight to date has been 4 minutes 40 seconds.



# Love My Car



Love My Car



# The Three Choices

(How to Get Where You Want to Be)

You have three ways of getting the use of whatever vehicle you may want or need: Renting, Leasing or Buying.

Renting is short-term, usually by the day. Rates differ greatly from agency to agency, so it's worth shopping around. This is a good way to have the use of a boat for a one-week holiday, or an all-terrain vehicle for a hunting trip. It is an excellent way to try out models before deciding what to buy.

Leasing is long term renting. It may not be cheaper than owning a car, but it may be worthwhile. The leasing company has all the bother of ownership. Of course, you never own anything for the money you have put out.

Buying is still most people's solution to the problem of day-to-day transportation. The joys and sorrows of ownership are many, and many are catalogued within the pages that follow.



# Buying

Buying



# Buying a New Car

There are people who say: "Every car salesman is a gouger. It's a jungle out there, so take care, arm yourself, and fight dirty." They give you tips on buying late at night when the salesman is sleepy, or before a holiday or during a snowstorm. And truthfully, there are times of the year during which you can get a better price than others. However, there is a simple approach to buying a car which should leave you satisfied that you have dealt maturely, been fair, and not been taken.

- find out how much you can spend, see Paying page 34.
- pick two types of car in which you are interested before you go out to shop.
  - a. consider your needs in terms of sub-compact, compact, luxury, station wagon, etc.
  - b. consider your desires. Beauty? Racy?
  - c. decide on engine size, options.
- through asking around, pick out two dealerships for each type of car you want. Check the Better Business Bureau and the Motor Vehicle Dealers Branch, Ministry of Consumer and Commercial Relations for complaints, ask friends who have dealt there.
- at each dealership, tell the salesman you intend to check out his price elsewhere. Let him show you the car and take it for a test drive.
- try to buy from the dealer closest to you unless you run into real evidence that they will not give good after-service. If they are slightly higher in price than another dealer, tell the salesman. He will probably be willing to match the better price.

## **Optional Equipment**

- extra equipment can run up the cost of your car considerably. Decide carefully at home, without pressure, exactly what you need and want.
- in Consumer Report for 1976, Consumers Union recommends the following options, all safety features:
  - a. disc brakes
  - b. rear window defogger
  - c. radial tires
- you can 'haggle' with dealers over the price of options. Their mark-up is high here.

## **Advice from a Salesman**

- don't confuse yourself by looking at every car available. Decide before you start what you basically want.
- for some people it is better to buy a lesser model than they can afford and put in some luxury features. You'll feel better about the car in the long run, and you are spending enough money that you should like the looks and features on your car.
- remember to check out the cost of insurance on the type of car you are considering. This will be an actual part of the price, and you'll have to come up with the money right away.
- money isn't everything. You may be better off with a reasonable deal from a fair, competent, convenient and reputable dealer than to range far afield for the car of your choice at the lowest possible price.

# **Buying a Used Car**

(or)

## **Letting Someone Else Take the Rap**

Some experts advise buying a car two years old or more on the grounds that the heaviest depreciation occurs during those first two years. That may be so, but you must remember that this is a used car -- you don't know how it was driven or what happened to it during that time. With careful shopping you should be able to find a good used car and hopefully drive it through the next two to three years of low repairs and low maintenance.

## **Approaching the Deal**

- find out how much you can spend. See Paying.
- decide basically what you want.
- select two to three dealerships by their reputation and by checking with friends.
- look at what they have.

## **Sources**

### New/Used Car Dealer

- has service facilities
- not anxious to give his new car operation a bad name
- often offer warranties

### Used Car Lot

- check reputation carefully. There are good dealers in this field, but the low business investment required can encourage a 'grab the money and run' approach. Also,

somebody has to sell those used taxis and police cars.

- make sure you make your cheque out to the dealership, not to a salesman or private name ... no matter what the explanation.

#### Privately

- no overhead
- be careful - these people have no business license to lose
- check history of car's registration with Ontario Motor Vehicles Registration Branch, Parliament Buildings, Toronto. Sometimes under the guise of a private deal dealers unload cars which they don't want to be blamed for selling.
  - a. note the date vehicle was licensed in owner's name.  
Yesterday?
  - b. ask for other identification to be sure you are dealing with the person to whom the car is registered.
- check for liens against the car.
  - a. visit or write the local Land Registry Office, Personal Property Security Branch.
  - b. give the Serial Number, Year and Make of car.
- call the previous owner to appraise condition and mileage.
- look for a dealer's nameplate on the car. Call them to find out if they have any lien against the car, and any information about its history.
- have the car checked by a mechanic.
- if you decide to buy, get a declaration in writing and witnessed that the vehicle is clear of all liens and encumbrances.

## Pricing Tips

- most loan officers have an "Automobile Trade Used Car Price Book." This will give you a rough idea of the price.

- handy yardstick: a two-year-old car usually sells for half the new car price.
- check similar models in newspaper.
- shop several lots once you know basically what you want.
- bargain in good faith. Don't waste the salesman's time, time is his paycheque.

## Appraising a Used Car

There are many guides available on how to test drive and lot check a used car. Very comprehensive ones are: Money Management, Your Automobile Dollar, available from Household Finance Corporation of Canada, Toronto; The Consumer's Guide to Better Buying by Sidney Margolius, a pocket book for public sale.

### Quick Tips

- check the car in daylight.
- look for excessive wear, body damage.
- brake pedal: if it goes too easily, there may be a leak in the hydraulic system. If it wobbles from side to side, the car has probably gone at least 40,000 miles. Pedals begin to show wear at about 30,000 miles.
- upholstery, floor mats: begin to show wear at 40,000 miles.
- underneath: fresh undercoating may be there to hide welding due to frame damage. Open and close all doors. Stand back 40 feet and see if car sits level. Tilt could be frame damage, poor suspension.
- drive car on different road surfaces. If dealer objects to more than round the block, there is probably something wrong with the car.
- try lights, windshield wipers, washer, horn, windows, heater, defroster, radio.

- DO NOT TEST DRIVE A CAR IF DEALER DOES NOT HAVE INSURANCE.  
DO NOT BUY IT EITHER.
- if dealer asks for a deposit before a test drive, be sure there is a receipt and the deposit is refundable if you decide not to take the car.
- take car to a Mechanical Fitness Centre or hire a mechanic to do a used car inspection. The \$10 or \$15 cost can save you plenty.
- make sure the car has a Safety Standards Certificate and can be licensed. See Laws.
- check title of any vehicle. (See Personal Property Security Act.)

## **When to Buy**

Convert these tips for other vehicles by buying out of their season. For instance, in spring and summer for snowmobiles, autumn and winter for boats, etc.

- car prices climb in spring and summer
- new car prices are usually lower during the first three months of winter, especially if the weather has been bad.
  - a. In February bad weather keeps shoppers at home.
  - b. At Christmas people don't buy cars much.
- if you plan to keep the car for three or more years, buy last year's model when the new cars come out.
- near the end of the month salesmen are trying to fill quotas and get bonuses.
- get a car from those in stock. A dealer may cut the price a bit if he doesn't have to order from the factory.

# The Paperwork





# The Paperwork

- you sign the Offer to Purchase
  - a. describes merchandise
  - b. gives price
  - c. must be signed by both the dealer and the buyer before it is legally binding.
  - d. do not pay a deposit unless you intend to complete the transaction. If you don't buy, your deposit may be lost.
  - e. all verbal agreements should be written on this order, including guarantees, warranties, repairs or changes.
  - f. if you are financing, make sure the Offer to Purchase is conditional on the financing being accepted.
- you pay, see Credit Section
  - a. if you are financing through the dealer, you will sign a Credit Statement Form. Usually this serves a dual purpose. It allows them to check your credit, and makes application for financing. It locks you into one finance company, unless you pay close attention.
  - b. you will probably sign a Conditional Sales Contract, see "Credit".
- in Ontario, the dealer transfers the registration and license plates to your name. You pay a fee for whatever part of the year is left on the license plates.
  - a. if a trade-in is involved, you sign over the ownership.
- you show proof of insurance to have the car registered in your name. The finance company may insist that you have Collision. Shop around for this. See Insurance, page 47.
- you may be asked to sign a Delivery Slip
- you may be asked to sign a Warranty Form
- for a new car, the owner's manual will be given to you.
- for a used car you get a copy of the Safety Standards Certificate.

## Safety Standards Certificate

- certifies that a specified examination of the car has been carried out by a licensed mechanic, and that the car has been found roadworthy.
- must be signed by a licensed mechanic and the Licensee of the Inspection Station.
  - a. mechanic must be owner or licensed employee of a garage or service station. Unregistered or out-of-work mechanics, or mechanics in other trades may not sign.
- must be dated no more than 30 days prior to delivery of the car to you.
- does not guarantee that the car does not need repairs or that it is in top condition -- merely that certain safety and mechanical problems do not exist so that the car is not dangerous to drive.
- does not establish the fitness of the car for your purposes in deciding to purchase.

## As Is Sale

If a car is sold without a Safety Standards Certificate, it must be clearly shown as unroadworthy, and may only be sold without license plates.

- dealer must provide an Unfit Motor Vehicle Permit at the time of delivery.
- vehicle cannot be driven or licensed until repairs have been made and a Safety Standards Certificate obtained from a licensed Motor Vehicle Inspection Station.
- before buying "unfit", get a firm estimate of the cost of repairs needed to obtain the Certificate ... see a certified mechanic of your choice.
- if the dealer promises to deliver the Safety Standards Certificate when he delivers your vehicle, get this

promise in writing. Also, make sure that the agreed-upon price for the vehicle includes the cost of making these repairs.



# **Warranties**



# **Warranties**

## Implied

- the Sale of Goods Act spells out certain warranties and conditions which are to be implied in every contract of sale.

## Written

- often serves to limit the implied warranty
- should include:
  - a. name and address of warrantors
  - b. exactly who is covered and for what
  - c. step by step description of procedure to get warranty honoured
  - d. outline of informal dispute-settlement procedure or legal remedies available to consumer
  - e. statement of warranty's duration

## **New Car Warranties**

- be sure you know what you must do to keep these warranties in force.
- warranties are often expensive to maintain.
- should be your guarantee against defective parts of the motor, body, equipment and accessories.
- usually carry a time/mileage limitation, as 12 months or 12,000 miles.
- once the warranty has run out, get all maintenance done by your regular garage or service station.

### Extended Service Warranties

- "For a few dollars more..." often \$150 or \$200, some dealers will offer to sell you an Independent Extended Service Warranty.
- this is supposed to protect you against factory defects in materials and workmanship only, after the manufacturer's warranty has run out, and is often hard to collect.
- this is likely to be just an expensive type of insurance.

## Used Car Warranties

### Manufacturers' Warranties

- some late model used cars may still have original warranties in force.
- confirm this yourself with the maker.
- check whether the warranty continues beyond the first owner.

### Dealers' Warranties

- an ideal dealer warranty would be 30, 60 or 90 days covering everything, including parts and labour, but don't hold your breath.
- usual warranty is '30-days 50/50 parts and labour'.
  - a. in this case make sure repairs can be done at the garage of your choice.
- if the dealer claims to have installed a new or rebuilt engine, new transmission, new tires, or painted the car, these should be stated in writing on the contract.
- minimum factors in a warranty should be:

- a. get it in writing
- b. written as part of the contract
- c. signed by the dealer himself -- not by salesman
- d. must specify complete details -- what is covered, how long
- e. should contain a statement giving you the choice of garage for service in the event of breakdown



# Keeping Up Appearances



## Finding a Garage or Service Station

- on the premise that a good garage will hire good mechanics, look for one that is neat, whose employees are alert, and best of all, one that is recommended by friends.
- in Ontario a mechanic must have a Certificate of Qualification in order to work.
  - a. it should be on the wall. If you don't see it, ask for it before authorizing repairs.
  - b. a Red Seal interprovincial certificate is held by a mechanic who has scored at least 70% on an exam set by the Interprovincial Standards Co-ordinating Committee.
    1. this shows that the mechanic takes the trade seriously.
    2. that the mechanic meets national standards.

### The Independent Garage

There are many local garages where a top mechanic is doing good work at reasonable prices. One expert says this is how to spot it:

- the mechanic is usually the owner.
- probably doesn't advertise. Depends on repeat business and recommendations of satisfied customers.
- garage is small and overcrowded.
- does nothing but fix cars. Does not sell gas, cars, etc.

### Diagnostic Centres

- charge a fee to tell you everything that is wrong with your car.
- watch out if they do the repairs too.
- useful if there is no reason for Centre to think you will leave your car for repairs recommended, as when you are having a car checked that you are thinking of buying.

### Associations

- you may consider joining a provincial or national motor league.
  - a. have garages and towing firms under contract which guarantee you earlier service, more likelihood of honourable charges, recourse through the association.
  - b. look in telephone book for listing.

### Know How

- some organizations offer courses familiarizing you with the mechanical side of your car and teaching you how to do minor repairs.
- if you appear knowledgeable you have more chance of getting repairs done fairly, at a reasonable charge. A little bluff sometimes helps.
- some driving schools offer introductory mechanical information as part of their course.
- check with the motor league, YWCA, YMCA, community colleges, and high schools.

### Establish a Relationship

- if it's a service station, get all your gas and oil there. They appreciate your day-to-day patronage and will be less likely to cheat someone they know.
- try them out with minor repairs first.
- then trust them with something major.
- note the odometer reading when taking the car in for repair. A check later will tell you if the mechanic took it for a roadtest, or if it was used.

## **When You've Got Trouble**

- get two or more estimates of what is needed and how much it will cost. Even honest mechanics make mistakes.

- never sign a blank work order or one that is not detailed.  
(see Paperwork of Repairs)
- insist they phone you for authorization before undertaking any major repairs.
- give the mechanic a detailed description of symptoms rather than diagnosing the problem yourself.
  - a. if they don't want to take the time to listen, take the car somewhere else.
- keep a record of service, repairs and cost. This is handy for later problems, recourse in the event of poor repairs, and valuable to establish the condition of the car for resale.
- if you feel the bill is too far out of line with the estimate, or that the repairs are unsatisfactory, go back and ask for an explanation.

## **When You've Been Had**

- register your complaint immediately.
- put it in writing.
- if the mechanic says your complaint is normal after a specific repair and promises to fix it if it doesn't improve, get that in writing on your bill.
- call the service manager, the president of the company, the Area Zone Manager of the manufacturer.
- drop in to complain when there are lots of customers about.
- write the local licensing board for garages and service stations.
- write Ontario Consumer, Queens Park, Ontario. See Help! Credit Section.
- take them to Small Claims Court. 50% of cases are won and you don't need a lawyer.
- in other words, yell until you get a fair adjustment to your problems.

# Repair Paperwork

## Work Order

- get an estimate in writing on the work order.
  - a. the flat-rate book gives the number of hours a job will take and what parts have to be used. From this book the mechanic should be able to tell you exactly what your bill will be.
  - b. if he says he can't -- have you dealt with him before? If you are not sure he is trustworthy, leave.
- once he has filled in the work order, cross out any blank lines, initial each item and add: "For repairs initialled hereunder" above your signature.
  - a. at least by filling in the work order carefully you show the mechanic that you won't be an easy mark.
- this Work Order or Repair Order is in fact a Mechanic's Lien.
  - a. it entitles the garage to keep your car until you pay.
  - b. the garage doesn't have to prove that charges are legitimate.
  - c. your car may be sold for the cost of repairs.
- these safeguards can be carried out unobtrusively, so that you do not insult an honest mechanic.

## Warranty Promises

- if a dealer promises you repairs or make-good beyond the warranty period, get it in writing on your bill.
- say repairs are delayed on your car due to lack of parts. This brings it past the warranty expiry date, but they say, "Don't worry, we'll fix it then." They may fix you too.

## Guarantee

- there is no such thing as a guarantee in Ontario.
- if a warranty is offered on repairs, get it in writing. Exactly what -- parts? labour?

- have the mechanic write the warranty on the repair order or on a separate paper which refers to the repair order by number, etc. Have him sign.
- be wary of 'guarantees' used as part of an advertising campaign or to gain your business.

#### The Flat Rate Manual

- dealers use the manufacturer's flat rate book. Independent garages and service stations use Chilton's.
- a discrepancy between your bill and the time listed in the flat-rate manual provides an excellent case for small claims court.
  - a. you don't need any other documents.
  - b. if you must pay, mark your cheque: "Without prejudice to rights." If in cash, mark the bill with the same phrase and have the person at the garage sign it.
- the flat rate manuals are often available at libraries. The only figure you will need will be the rate charged for labour. Call the garage and ask what this is, then compute the costs.

## Avoiding Trouble on the Road

- always get out of the car when you stop at a service station you don't know -- especially on the highway.
  - a. there are tricks to cause fan belt trouble, battery and electrical problems ("needs a new generator!")
  - b. there are those who use them. If you're looking over their shoulder, it's not so easy.
- don't let them open the radiator cap while the engine is hot.
- your battery should last for years. The charge may wear off. It can be recharged.
- the air filter needs changing every five years or so, unless you live on a gravel road.

- all the spark plugs don't wear out at once. You may need one, maybe two, but usually not a whole set.
- brake linings on the front wheels wear out before the rear linings. Have the rear linings checked separately.
- this is the sort of knowledge you should pick up at an introductory course.

NEW CARS: Check the warranty. Knowing what services don't have to be provided by the dealer can save you money on maintenance.

## Rustproofing

- a process whereby a material is sprayed on the underbody of a car which should prevent rusting.
  - a. water and salt can be trapped between the rust inhibitor and the metal to cause rust.
  - b. the material can chip off, leaving metal unprotected.
- rustproofing or rust inhibitors have not been proven more effective than careful maintenance in preserving the car body, nor has the opposite been proven.
- some noise-inhibiting effects have been noted with the heavy, asbestos-type inhibitor.
- the Ministry of Consumer and Commercial Relations in Ontario has now established guidelines for the claims which dealers make for rust inhibitors and the warranties offered. See article: "Auto Dealers Say There is No Real Rustproofing".

### Tips for Rust Prevention

1. Have the car washed after every heavy snowstorm when salt has been on the streets. Try to have it done where the underside of the car is washed as well.
2. Once or twice a year, get a good application of heavy-duty car wax.

# Auto dealers say there's no real rustproofing, discuss guides

By ARNOLD BRUNER

Beware of auto dealers who claim they can make your new car rustproof.

Their own industry—after years of selling guaranteed "rustproofing" to thousands of unwary car buyer—now says it can't be done. "We don't feel there is such a thing as rustproofing," a spokesman for the Automobile Dealers Association of Ontario told *The Globe and Mail*.

Don McVittie, a Huntsville car dealer who heads the group's legislative committee, says the dealer organization now takes the view that a car's body can be treated to slow down and inhibit rusting, but "rustproof" implies permanent immunity from rust.

"We feel it's impossible to rustproof anything," he said.

Mr. McVittie attributes this plain talk to "a relatively new line of thinking, which signifies enlightenment of our responsibilities." However, he gives due credit to R. G. MacCormack, Ontario Registrar of Motor Vehicle Dealers, who has been urging changes in rust-proofing claims, advertising and warranties for about a year.

Federal Consumer Affairs Minister Andre Ouellet has threatened legislation which will compel minimum guarantees if car companies do not co-operate by disclosing all hidden warranties. He wrote to the companies after a report that the Ford Motor Co. compensated owners of some models who protested loudly against early rusting, under a guarantee the firm never announced publicly.

Even if the car makers take steps to make their products resist rusting longer, the sales water bath to which Southern Ontario cars are subjected each winter will keep the rust-prone business hopping.

"While at least one rustproofing specialist

impossible if the rustproofer knows his business, the dealers are faced with stark evidence of their own failures: hundreds of rusty "rustproofed" cars on Ontario roads.

This, and the fact that most rustproofing warranties have been next to meaningless, has created a growing body of unhappy customers.

There is no suggestion that the dealers should simply give up their troublesome but profitable sideline. Rustproofing by Mr. MacCormack's assessment, is the easiest thing to sell a car buyer, particularly in today's hard times when people intend to keep their cars as long as possible. At prices from \$20 to \$10, rustproofing fattens the profit on a car sale and is a handy bargaining tool to clinch a deal.

The association, whose 800 members sell 80 per cent of the new cars in Ontario, is meeting this week to discuss ideas for self-policing. At the same time, specialists in the mustering, cutthroat rustproof business have had at least two meetings to talk about forming an association with some sort of code of standards and ethics.

## Dealer protection

However, car buyers should not get too exercised yet. The main aim of the dealer—is revealed in a confidential bulletin sent to members last April—to protect themselves against "unrealistic liabilities." What concerns them most—"all dealers are scared skinny," was the way Mr. McVittie put it—is that on a sale an implied warranty takes precedence over an express and restricted warranty.

It doesn't take an Einstein to figure out what it could cost a dealer in the future if he claims to rustproof a car," Mr. McVittie said. Because use of the word rustproof could impinge freedom from rust forever, the dealers' group wants to change the term to "rust-in-

hibiting" and is advising its members to call it that.

It is also suggesting limiting warranties to five years and to repair of rusted areas, rather than a cash refund. This could be a point in favor of the customer. It would get rid of misleading 10-year-to-lifetime warranties, but the value of "repairs only" would depend on the quality of the body work—a cheap, shoddy body job might get a dealer out of his obligation but leave the owner in a mather of weeks back where he started, with holes in his car.

The confidential bulletin reveals that "dealers are being sued for complete repairs on rustproofed cars" and "are finding that their material manufacturer may have long since departed, and the dealer is stuck with a \$300 repair bill without recourse."

Before the new legislation, the victim of such shoddy workmanship, the customer, got stuck with the bill when the supplier of material could not be found, or lived in the United States. Since the only applicable warranty was issued by the supplier, the car dealer was not legally bound to accept responsibility.

The clear implication is that the present situation is at least partly motivated by the unpleasant development that it is now the dealer who stands to get stuck. However, some good may also come out of this for the consumer. The association is suggesting that dealers issue their own warranties and stand behind them—and that they take at least \$5 from each job to create a fund for this purpose. At today's prices—\$120 to \$160—that would be a dealer contribution of about \$ to 4 per cent on about 80 per cent (if the work is sent out) to 40 per cent.

The dealers' bulletin suggests that rustproof technicians should use a "check-off sheet" (a

what areas have been covered) and take off all removable panels. That should take much of the guesswork out of what a car looks like under its skin and whether the material is actually coating areas vulnerable to rust.

The book Lemon-Aid by L. P. Edmonston, president of the Automobile Production Association, gives an idea of the attention to detail required in conscientious rustproofing. One section indicates that Ziebar, Canada's most experienced rustproofer, will not guarantee areas of some cars or even certain whole cars because of design quirks. Other cars require design modifications by the rustproofer, such as removal of moisture-trapping, sound-deadening material.

Mr. McVittie admitted in an interview that some dealers and the materials they use "are not as good as they should be," but blamed a lack of specific regulations and guidelines to follow."

## Workmanship gets blame

David Prowse, executive director of the Automotive Trades Association, which takes 15 dealers, blames poor workmanship.

"It isn't the gunk that is sprayed on," he said. "But the gunk who is spraying it in."

But in the view of Ziebar's Ivan Bures, "the dealers are ruining the industry."

The real possibility of Government intervention is one of the spurs that has moved the car dealers to action.

But the day when a car buyer may have full confidence in everything he is told seems not to have arrived just yet.

A reporter who made a check of some Metro area car dealers found that while their association was saying there is no such thing as real rustproofing, the dealers still tried to sell him a car and a treatment that would rustproof it—absolutely.

Reproduced by permission of *The Globe and Mail* — Toronto, from issue of December 3, 1975.

## Tires

The tires are the only point at which your vehicle touches the roadway. Your life depends on them.

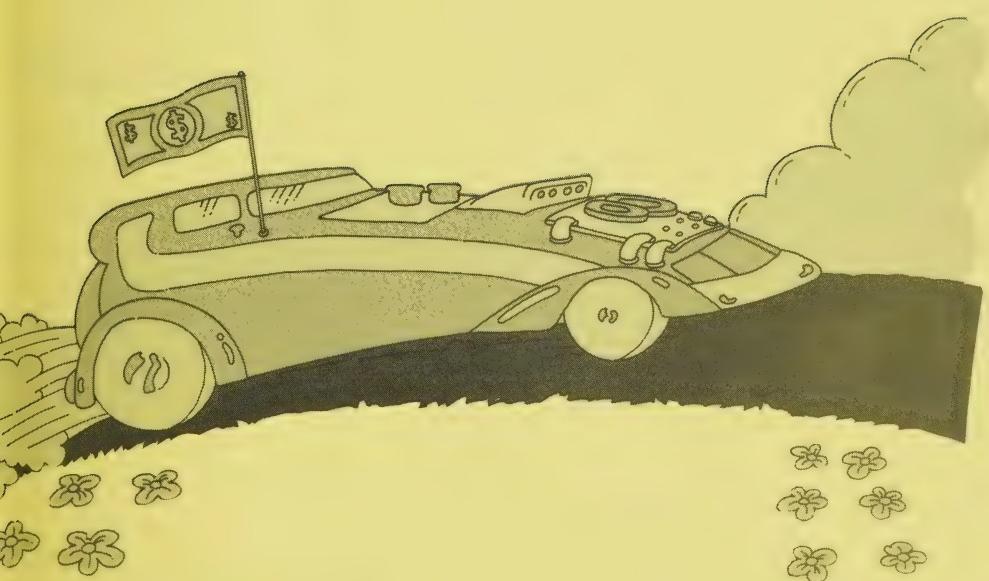
Radial tires are becoming standard equipment on most new cars. They have been standard on European cars for many years. This is because the radial construction keeps more of the tread on the road, lessening the danger of skids, giving you more control -- longer.

- have tires checked often.
- buy the best you can find.
- keep them inflated to the pressure recommended in the owner's manual of your car.

### Tips on Extending the Life of Tires

- keep the proper pressure in tires at all times. Buy a tire gauge and check them yourself. Investigators have found that service stations often use gauges which are out as much as ten pounds either way.
- have the wheels aligned and have alignment checked periodically, perhaps twice yearly.
- have the wheels balanced. This is especially important with radials.
- if you drive on rough roads, check alignment and balancing more often.
- avoid screeching starts and stops.

# Costs



Costs



## **Cost in Depreciation**

- 25% in the first year on new cars (approximately).
- 15% in the second year.
- 10% in the third year.
- some experts say it just isn't worthwhile to buy a new car.
- you could come out ahead if you take care of the car and keep it as long as possible. You may get seven good years out of it, more maybe. There are lots of ten-year-old cars on the roads. Repairs are said to peak between 60,000 and 70,000 miles.

## **Cost of Driving**

Estimated: 12.9¢ per mile for the average driver.

Depreciation:	6.5¢ per mile
Insurance:	1.4
License:	.3
Gas and Oil:	3.2
Maintenance:	.9
Tires:	.5
Sundry:	<u>.1</u>
Total:	12.9¢ per mile.

With fuel costs and taxes rising this figure will go up. You can beat the rap by buying a car more than three years old; when the highest depreciation has occurred; doing minor repairs yourself, and driving in ways that conserve fuel, brakes, etc. Speeds of 65 and 70 use more gas than 55 and 60. Speeding up between stop lights uses gas and brakes unnecessarily. We heard about two test drivers who drove from eastern U.S. to the West Coast without using their brakes at all. The brakes were sealed to prove it. Burning rubber is just that -- leaving far more of your tire in one place than necessary. Screeching halts are bad

manners, uncomfortable for passengers, scary for pedestrians, and expensive on brakes. Keeping tires properly inflated saves gas. Five pounds under-pressure costs you half a gallon for every twenty gallons of gas you burn. Proper wheel alignment prevents uneven wear and tire drag, where the motor has to work harder to push the car forward.

## **Cost in Personal Terms**

Aside from the ecological disadvantages of the internal combustion engine, which costs all of us plenty in terms of the quality of life, the individual may run into personal costs. For instance, what are they giving up in order to pay for a car? Time which could be used to pursue other interests? Money which could take them travelling or open other doors via education? Are they tied to one city by debts when a move would perhaps open other job opportunities or social benefits?

# Paying

Paying



## **What Can You Spend**

- figure out what you can pay per month.
- call your bank manager to find out how much credit that buys.
- check the cost of insurance on the type of car you are considering. This will be a substantial part of your cost.
- now you are ready to follow the guidelines for buying a vehicle given under "Buying a New Car".

## **Paying the Shot**

- credit methods, etc. are discussed fully in the Credit Section.
- one method:
  - a. buyer gives a Chattel Mortgage on the car to the lender.
  - b. buyer signs a Promissory Note engaging to pay the full amount of the money. This note is secured by the Chattel Mortgage.
- the best advice is to save as much as possible before buying, borrow as little as possible, pay back as quickly as possible. And ALWAYS make your payments on time.



# Other Vehicles





## **Moped**

- a motor assisted bicycle.
- license plates, operator's license and proof of insurance or fee to Motor Vehicle Accident Claims Fund required.
- helmets recommended.
- illegal to carry passengers.
- this is a useful, enjoyable vehicle, but its limitations must be borne in mind. The temptation is to get into deeper and faster traffic than such a vehicle is capable of managing. Your safety relies on your sense.

## **Snowmobiles**

- motorized snow vehicle.
- regulations concerning registration, licensing, insurance, where you may drive and other considerations are detailed in the Ontario Motorized Snow Vehicles Act. A folder explaining these rules is available from the Ontario Ministry of Transportation and Communications, Queen's Park, Ontario.
- the Snowmobile Industry Association has issued a handbook with driving, maintenance and safety tips. It includes a section on survival and the nationally accepted distress signals. This handbook is available from any reputable snowmobile dealer and should be kept with the vehicle at all times.
- local snowmobile clubs provide sound training which can save your life and others. They also provide exciting and challenging outings.

## **Motorcycles**

- regulated under Ontario's Highway Traffic Act.
- license plates, operator's license and insurance required, or fee to the Motor Vehicle Accident Claims Fund.
  - a. a motorcycle license does not permit you to drive any other type of vehicle.

### Buying a Used Motorcycle

- a Safety Standards Certificate is required to change the ownership.
- an Unfit Vehicle Permit is issued until repairs have been carried out to bring the vehicle up to standard for the Certificate.

### Training

- Evel Knievel is not foolhardy -- he trained long and hard to learn to jump his bike and throw it around the way he does.
- training will not take all the fun out of riding. It can let you enjoy that exhilaration all the more because you are in control of the bike.
- one accident is enough on a motorcycle. You are not enclosed in a steel body to take the shock of impact, you cannot be strapped to the vehicle to prevent you from being thrown. Your safety relies on your skill.

### What You Should Know About Motorcycling in Ontario

- a booklet outlining the requirements for yourself, your motorcycle, and your safety gear. Diagrams the skill test manoeuvres you must perform for licensing.
- notes the visibility points on the road and in traffic.
- write the Ontario Ministry of Transportation and Communications, Queen's Park, Ontario.

# Training

Training



## "I'm a Good Driver"

### Quotes from the Experts

"You can tell a man just about anything and he'll think it over before getting mad. But tell him he's a bad driver and you'll start a fight anytime."

Doctor, Emergency Medicine

"Most people are split personalities. One type when not driving -- reasonably sane, polite, respecting other's rights -- they certainly don't go around kicking and biting their way through a crowd. Yet when they get behind a wheel they change. They feel they are the only one on the road with any right to be there. They think every other driver is crazy and driving improperly. They swear. They swerve. They do not take a rational look at their route and ensure that they are in the right lane at the right time, because they're too busy reacting to other drivers. And I think that is the secret of good driving -- to keep such control over yourself, your vehicle and your route that you are able to act -- rather than reacting to other cars and conditions.

"That way you move smoothly through traffic, you are in condition to foresee an emergency situation being caused by another driver and get out of the way, and you probably make better time than the screech and scream driver. He's usually in trouble and upset because he finds himself in the wrong place on the road to make his turns or to avoid trouble."

Motor Vehicles Registrar

"In over 70% of the accidents researched, the driver was the primary cause of the accident. Very very seldom was

the vehicle at fault, and then the driver was the secondary cause -- couldn't handle their vehicle under the emergency conditions."

Head, Canadian Medical Association  
Emergency Medicine Committee

"I've never hauled a plane out of the bush or the water that wasn't there because of pilot error."

Bush Plane Retrieval Expert

"Well, they're getting killed because they don't know how to drive their snowmobiles. They don't respect them. And they're not properly equipped in case of trouble."

Snowmobiler

"Do you know how a racing driver is trained? He takes a special racing course, then he is examined by the Canadian Automobile Sports Club and receives his beginner's certificate. This permits him to drive a certain type of car in the novice races, usually on lower speed tracks. He then works his way up through the circuit, earning qualifications to drive faster and faster cars as his skill grows. Yet we permit a driver with less than 10 hours' experience behind the wheel to go out on the highways and face the same dangers and speeds as drivers with years of experience. We do not carefully check their health. We do not even warn them that their reflexes must be at their very best. And we cannot convince them that they do not sober up as soon as they get behind the wheel. It just seems that way because they have something to hold onto."

Doctor

"The best driver is the one you never notice. When you ride in his car, you don't notice him changing lanes because it isn't difficult -- he moves into the lane he wants smoothly, when there is an opening, well ahead of the turn."

Rally Driver

"That guy was a terror. He made us ride around and around in a circle on one foot. Do you know how tired your arms get balancing and steering a motorcycle without your body to balance it? We hated him. But I had no idea what a fantastic thrill it was to be really trained to ride. The motocross races are probably the most gruelling experiences I've had, but you really know you've lived that day!"

Motocross Rider



# Insurance

Insurance



# Automobile Insurance

- Ontario law states that a driver must have \$50,000 Public Liability/Property Damage Insurance or pay a fee into the Motor Vehicle Accidents Claim Fund.
- the courts are awarding huge damages to victims of accidents. These damages must be paid by the driver at fault and could take every penny you ever earn.
- check with the Superintendent of Insurance, Ontario Consumer, Queen's Park, Ontario or the government office regulating the use of whatever vehicle you are buying to learn the usual recommended insurance.

## Public Liability/Property Damage

- pays claims resulting from bodily injury, sickness or death of another person you may injure with your car.
- pays claims resulting from damage caused by your car to property of others.
- protects the car owner, or others driving with the owner's consent.
  - a. the policy covers the car first, then the driver. This means if you have an accident while driving a friend's car with permission, the friend's policy pays up to its limit, then your own policy applies.
- usually bought in a three part series -- 50/100/10. \$50,000 for injury to one person, \$100,000 for two or more persons injured in one accident, \$10,000 property damage.

## Facility Plan

- for drivers who cannot get regular insurance. Companies take them by turns.
- ask what coverage is provided.
- if the coverage for damage to your car (collision) is not included, ask if it is available at extra cost.

### Collision

- pays for repairs to your own car.
- usually includes a deductible clause.
  - a. with \$100 deductible, you pay the first \$100 for repairs of collision damage, the insurance pays the rest.
- premiums are reasonably low so it's a good buy.
- if the accident is obviously not your fault, many companies will now pay the whole cost right away. This way you don't have to pay the deductible or wait until the details are settled before having your car repaired. Your insurance company then collects from the other driver's company.

### Comprehensive

- pays losses due to theft, fire, wind damage and vandalism.
- useful.

## **Where to Buy Insurance**

- costs and coverage vary greatly so shop around.
  - a. some companies are owned by stockholders.
  - b. some are co-operatives, owned by their policyholders.
  - c. some associations set up insurance for their members.
- check the company's reputation for settling claims. Are they fair, prompt, do they cancel contracts more quickly than others.
  - a. read the policy and ask about clauses you don't understand.
  - b. know the provisions for settling claims.
- be sure the company is licensed to do business in Ontario.

## **Cost of Insurance**

These costs depend largely on you and your driving record. The following factors affect cost:

- the "risk" - you
  - a. young male drivers have more accidents than young female drivers, so they pay higher premiums.
  - b. your accident and driving record.
  - c. your occupation.
  - d. whether you have completed a driver training course recognized by the insurance company.
- accident record and insurance statistics for the community.
- company from which you buy.
- amount and type of protection.
- age and cash value of the car.
- use of car -- business, pleasure, occasional use, daily, etc.
- number of cars owned.

## **The Motor Vehicle Accidents Claim Fund**

- in Ontario you cannot register a car in your name without either having a minimum liability insurance (PLPD) of \$50,000 or paying a fee to the Motor Vehicle Accidents Claim Fund.
- this Fund compensates victims of accidents due to the negligence of an uninsured driver or a hit and run.
- this is not insurance. Payment of the \$60 does not protect the driver in any way. You are liable for the full amount of any judgment awarded to a victim of an accident caused by you -- and judgments of \$50,000 are not uncommon.
- brochure "The Motor Vehicles Accident Claims Fund" is available from Ontario Consumer, Queen's Park, Toronto.



# Travel

Travel



# Travel

When you select a travel agency to make arrangements for your flights, tours, hotels, etc., check to make sure that it's registered in the Province of Ontario.

- a certificate should be prominently displayed on the wall.
- if it is not, ask to see it.
- registered travel agents contribute to a Compensation Fund set up to protect the funds of consumers.
- see Ontario Travel Industry Act, Credit Section, page

## Air Travel

### Charters

- available in a wide variety of departure dates, length of stay, and destination.
- prices among IATA (the association of airlines) carriers may not vary greatly, but service, food and on-time departures do vary from one to another. A travel agent can help you with some information, but it would be helpful to check with acquaintances who may have used them. Get several opinions.
- if you don't mind inconvenience, there are some non-IATA carriers which fly cheaper than charter rates. You are taking a chance though. The flight may be cancelled at the last moment; sometimes deposits have been lost; flights often leave late.

### Group Flights

- groups of 15 or more can receive a price break from an airline. Check this with your agent.

### Package Tours

- some firms buy blocks of space on aircraft and in hotels, getting a cut rate. They then offer a prepackaged holiday - hotel prepaid, air fare, a land tour, and meals if you decide to eat at only one hotel.
- watch the location of the hotel. You are prepaying and won't be able to move out if you find yourself in a 'tourist trap' far from anything.
- note departure times. Usually scheduled away from peak periods so you may have to get up at awkward hours, arrive in the middle of the night, etc.
- note check-out times. They sometimes are set for hours before your return flight. You must wander around a tropic isle dressed for flying, coat over arm, and luggage tucked away in some 'courtesy room', with dozens of other passengers coming and going.
- advantage: sometimes the price of your hotel and airfare is considerably lower when bought as a package. This lets you use the package hotel as a base. You could pick up a car and spend a few days in some other part of your holiday land, perhaps at an inexpensive guest house or some out-of-the-way hotel you stumble onto.

### **Bus, Train, Boat**

- package tours are offered on these forms of transportation as well. The tips above apply. Check it out. Note transfer times, hotel check-out times, what meals are supplied.

# On the Thumb

## or Take It As It Comes

### Planning

Arrive at the right place at the right time and you won't have any trouble hearing about the gathering places, what to see, where to eat, where to buy, where to go next.

To make sure you get where it's happening, check the weather pattern of your destination. Plan to be there when it's warm, unless you're going skiing. Also, get your ear to the underground railway now. Everybody's travelling. Listen well -- where they went, when, what happened.

If you don't know anybody who's been to the part of the world you want to visit, try to contact someone who has. One way might be to write the campus magazines and newspapers of a few universities. Ask for advice or a note from their readers. Or place a call to the "Chairman of the Travel Committee" of a university. You will eventually get to talk to someone, and after explaining your problem to the people along the way, you'll have collected plenty of information. Better have a pencil handy.

But even if you are going to take your trip as it comes, a little planning will help. You don't want to just eddy in and out like the tide. Starting with the place where you are landing, check guidebooks and maps for places of interest. Comb the travel section of the library. Books of fiction about areas you will be touring will give you a feeling and understanding for the people. They may also twig you to things to do, places to see, that the guidebooks may not mention. Most libraries have a good selection of guides for specific areas or countries. Study them. One traveller gets National Geographic and says it's the best source for initial planning.

### The Notebook

Write down addresses, places to see, friends of friends, according to country. Just get a book you can tuck into a jeans pocket. Somebody's aunt or cousin may not seem like a person you would visit when you are at home, but you may be glad to have an introduction to someone once you are there. They will be able to give you valuable information.

### Passports

Applications are available at the Post Office. Apply early. You need a passport to travel outside Canada and the U.S.A. Instructions and address are given in the application. Photos are required and must be of a certain size, stamped, etc. Go to a photographer who does passport photos as a specialty or sideline. They usually have a sign up to that effect.

Your life may depend on your passport. Don't lose it and don't sell it. If you lose it, report to the Canadian Consulate immediately, wherever you are.

### Visas

Photos are usually needed. Visas are required for many countries. Get as many of them as you can while in Canada. They are hard to get when you are travelling and involve giving up your passport for a day.

### Customs Regulations

Know them. A booklet is available from the passport office.

When leaving, record expensive cameras or other items with the Customs Office at the airport for re-entry into Canada.

### Drugs

Many Canadians are in foreign jails now because of drug possession, some for having just a minute quantity. No one can help them, and those jails can be horrors. Here people

must be released on certain grounds, evidence must be presented to keep you in jail longer, a trial must be held within a certain length of time -- but none of those laws are necessarily in effect in countries you may visit.

#### Film

It's usually cheaper here, not always available there. Take plenty.

#### Trip Journal

It's amazing what you forget. Keep one, even if you don't write in it often.

#### Entertainment

Theatre, circuses, opera -- some of the greatest in the world may be next to the park you curl up in. Don't miss it all.

#### Packing

Most often forgotten item: Toothbrush

Most needed item: Jeans

Most enjoyed item: Bathing Suit

Most comfortable item: Cotton T Shirt

Most missed item: Bathroom Tissue

Most longed for: Soap

Most comforting: Raincoat

Most often blessed: An all purpose stomach remedy (for instance, Extract of Wild Strawberry was used by one traveller for nausea, sea sickness, diarrhea, over-eating, and on and on)

Label luggage clearly. Put a brightly coloured sticker or something on your bags to help you spot them on the luggage belts. If using a knapsack, don't keep anything of value on top. Let anyone reaching into your knapsack come away with your running shoes.

Do not pack: Passport  
Visas  
Money  
Prescriptions

Knapsackers, get a pouch to wear around your neck for these vital valuables.

#### Money

Change currency at banks only, for best rates. Don't take currency from one country to change in the next. This is expensive.

#### Reconfirm

Reconfirm any flights you have booked, like your return, while you are at the airport.

## Some Handy Addresses:

American National Tourist Office, 401 Bay Street, Toronto Ontario.

British Student Travel Centre, 38 Prince Arthur Avenue, Toronto, Ontario M5R 1A9.

British Tourist Authority, 151 Bloor Street West, Toronto, Ontario.

Community Information Centre of Metropolitan Toronto, 110 Adelaide Street East, Toronto, Ontario M5C 1C1.

Commonwealth Youth Exchange Council, 18 Northumberland Avenue, London, England WC2 W5BJ.

Ontario Motor League, 2 Carlton Street, Toronto, Ontario.

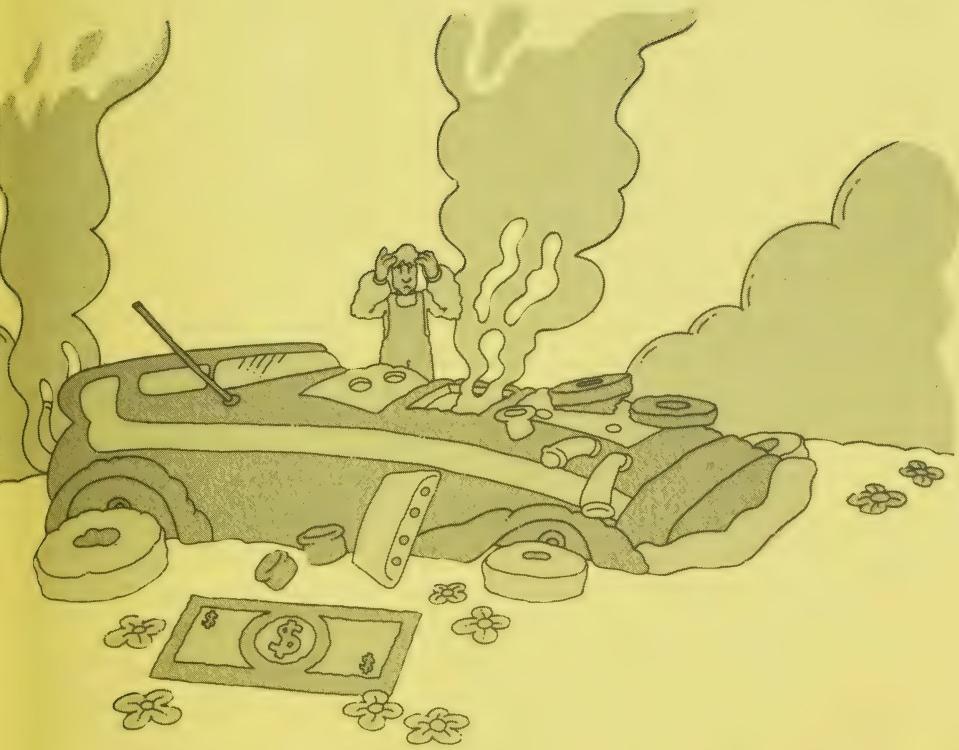
Spanish National Tourist Office, 60 Bloor Street West, Toronto, Ontario.

Swiss National Tourist Office, Commerce Court West, Toronto, Ontario.

Health Plan While Outside Canada, the Director, Ontario  
Blue Cross, 150 Ferrand Drive, Don Mills, Ontario M3C 1H6.  
Bureau of Consular Services, Secretary of State for External  
Affairs, Ottawa, Ontario K1A 0G2. Booklet "Information  
for Canadians Travelling Abroad"



# Case Histories





# Case History #1

## The Classic Case

Jean is a working woman bringing up three children alone. She lives in a rural area and must have a car to get to work, but there isn't enough money to get a new one. So she bought a nice looking car, five years old and with fairly high mileage, at a price of \$1,577.00. She bought from a local dealer and got the Safety Standards Certificate, so she felt reasonably safe.

Well, she shouldn't have, because within a very short time the car was refusing to start, knocking, pinging, wheezing and gasping. She took it to her local service station, where a compression test was done and the car gone over. It needed a valve job and a brake job. There were holes in the trunk. The signal lights didn't work and the windows wouldn't open. Jean didn't know that many of these problems should have been corrected before the Safety Standards Certificate was issued, so she just took the car back to the dealership.

They said they would fix it under the terms of a warranty they had given her, 15% off parts and labour within 90 days of purchase, if service was done at a place specified by them. They kept it three days and returned it, but the problems all seemed to be untouched, so Jean called to complain. 'No,' they said, they hadn't done a valve job, but they had replaced the points and plugs. Her service station confirmed that nothing had been done.

Then the emergency brake seized up. The dealership fixed that, but by now Jean realized something was up. She contacted the Motor Vehicle Dealers Section of the Ministry of Consumer and Commercial Relations.

The Investigating Officer found that the vehicle had been purchased by the dealership for \$450, and they had spent \$75.01 fixing it up to meet Safety Standards for the Certificate. They had spent \$215 painting the car, known as 'powderpuffing'. The dealer's total outlay was \$740. They sold the car for double that amount, making 100% profit.

The Officer wrote the dealership outlining the section of the Business Practices Act which had been contravened. As a result, the dealership replaced the motor in Jean's car with a rebuilt one, put in a new carburetor, and replaced the wheel cylinders. At this point, the Officer found it difficult to reach Jean. When he did get in contact with her, he found that the dealer had obtained from Jean a complete and unqualified release. The Officer warned Jean that she had given up all her rights in signing this release, but she stated that she was happy with the repairs performed.

What does it all mean?

1. Jean should never have bought the car without taking it to a licensed trusted mechanic for a checkup. She would have paid something for this service, but the subsequent trouble cost her much more.
2. The Investigating Officer informed the dealer that this Ministry does not consider the Warranty described as meaningful, and that under the Business Practices Act, and the Consumer Protection Act the consumer may well be legally entitled to more consideration than the dealer was willing to give. In fact, when the work is done at a service outlet of the dealer's choice, the bill is probably puffed so that the consumer pays the entire cost of repairs.
3. The Officer felt there was evidence of falsifying the

Safety Standards Certificate, so he referred the matter to the proper authorities.

4. Once Jean had received redress to her satisfaction, she no longer bothered to keep in touch with the people working on her behalf. As a result, she was talked into signing away her rights while many more expensive repairs may have been necessary. It is important to report any changes or activity on your case so that the Officer can counsel you and see that your case comes to a good and satisfactory conclusion.

5. The Dealer received a warning from the Ministry of Consumer and Commercial Relations. He is aware that details of this transaction are now on file with the Ministry, and that he has placed his license to operate in jeopardy.

## Case History #2

And There, Right Before My Very Eyes....

Jack knew something about cars, so he shopped around when he bought his latest car, a two year old medium size hard-top with 32,379 miles on it. He paid \$3500, but he felt good about the purchase. After about 4,000 miles he started noticing engine noise -- tappets, lifters, etc. -- which usually occurs after much more mileage. He thought nothing of it until one day he noticed that the odometer was at 39,999. He kept an eye on it as the zeroes flipped up until it got to the last number and rolled a ... 2. The car now showed 20,000 miles.

Jack had the odometer checked at his service station. Sure enough, the first roll of numbers was in reverse, raising the suspicion that the odometer had been tampered with.

Jack filed a complaint with the Motor Vehicle Dealers Section of the Ministry of Consumer and Commercial Relations.

An Investigating Officer traced the history of the car and found that it had come from Quebec via two Ontario dealerships. As this was inter-province and might be a case of fraud, the RCMP were contacted. They investigated and found that the vehicle was traded in Quebec with a mileage of 84,000. From the bills of sale it appeared the odometer had not been tampered with in Ontario, so that aspect of the case was left with the RCMP.

The Ministry discussed the case with the Ontario dealerships, who felt they would prefer to settle with the consumer immediately. They estimated the probable mileage, agreed on a fair market value for the car with that mileage, and returned \$700 to Jack.

1. Look again at the tips for estimating the mileage of the car, given under Buying a Used Car. Jack should have looked for wear on the brake pedal and upholstery. He should also have taken the car to a licensed mechanic for checking. Between them, they may have realized that the car was older than the odometer suggested. If dealers had a more difficult time selling cars on which odometers have been rolled back, they would be less apt to try it or to accept cars which could possibly have been tampered with.
2. In this case it seems the dealers dealt fairly with Jack and had not knowingly sold a car with higher mileage than stated. As reputable dealers, they were quick to give redress once the case had been proven.

# Projects

Projects



# Fuel

## Unleaded

Some experts advise that the need for unleaded gas will begin to decline soon with the advent of pollution control systems which are not destroyed by the lead in gas. However, here are a few of the other advantages of unleaded fuel:

1. Gives longer 'new engine' performance because there are fewer deposits in the combustion chamber, carburetor, inlet valves, PCV valves, cylinder, sparkplugs.
  2. Useful life of motor oil is lengthened because there are fewer lead salts in the crankcase oil.
  3. Reduces the amount of lead thrown into the air, to be breathed by people.
- 
- a. Unleaded gasoline is actually a low-octane fuel. The class could contact oil companies to find out why we pay more for this fuel which has one less ingredient than the lower priced fuels. This involves the manufacturing process and the penalties of a highly technological society, where mass production forces everyone to use the same thing or pay a penalty.
  - b. Teams could be set up to test leaded and unleaded gasoline. Two vehicles with similar engine/transmission equipment could be chosen, one using leaded and one using unleaded gasoline. A car dealership may be willing to assist in this test, as the cars should be tuned up so that no mechanical defects will cause one fuel to perform badly. A one-mile test track can be staked out on a country road, and both cars driven at different speeds along the test track, checking fuel consumption, performance (how quickly the car reaches the test speed from a standing stop, motor noise if any, etc.)

Each team needs at least a driver, starter, in-car timer,

finish-line timer, inspection/mechanic. Skills required are probably among the students. Don't forget to advise OPP if you use a public road.

c. Methanol

Following is an article reproduced in part from Fortune magazine. A copy of the magazine in which the article appeared is available from Fortune, or your local library might have a copy of FORTUNE, September 1975.

Methanol has some big disadvantages as well as its good points. The class could write to manufacturers for more information on this and other fuels. They may want to try to convert an engine to run on Methanol.

Amid the great search for new kinds of energy, the nation is largely overlooking a low-polluting fuel that can be produced from plentiful domestic resources with no further technological advances by anyone. It is the same liquid that warms hors d'oeuvres in chafing dishes, that powered Hitler's V-2 rockets, and that boosts the speed of racing cars at the Indianapolis 500. It is the fuel that in 1922—during earlier worries about a world petroleum shortage—was hailed by inventor Alexander Graham Bell as "beautifully clean and efficient." It is called alcohol.

Nature and industry have created hundreds of alcohols, each with a different arrangement of carbon, hydrogen, and oxygen atoms. Most are far too expensive for consideration as fuels, including ethanol, the basic ingredient of alcoholic beverages. The only way to make ethanol without using oil or natural gas is by costly fermentation methods. The one alcohol that has a real chance is methanol, or methyl alcohol, which has the simplest molecule ( $\text{CH}_3\text{OH}$ ) and is the cheapest to make. Though few Americans realize it, methanol is just about the only liquid fuel that we already know how to synthesize from coal at a price consumers might be willing to pay. Indeed, it may offer the only hope of meeting the goal, set forth last January by President Ford, of replacing a million barrels of imported oil a day with synthetic fuels by 1985.

A clear, almost odorless liquid, methanol is the same lethal "wood alcohol" that was once a byproduct of charcoal production. The U.S. already produces 1.2 billion gallons of methanol a year. It is now used mainly in making the glue that holds plywood layers together, and in manufacturing a host of well-known plastics, synthetic fibers, and drugs. But the steadily growing annual output, while large for the chemical industry, is the energy equivalent of only two days' gasoline consumption. The present output is made entirely from natural gas, long the cheapest feedstock but now in dwindling supply. To relieve the energy shortage, methanol would have to be produced in far larger volume from more abundant sources.

Some of those feedstocks are all about us. Methanol is one of the logical fuels to make from such renewable sources of energy as forest and farm wastes—a fact that has commended it to the editors of the *Last Whole Earth Catalog* and anyone else concerned about our heavy de-

pendence on mined fuels. In Maine a group of industrial and land-development companies and a new venture called Maine Wood Fuel Corp. are both studying the feasibility of making gas or methanol from wood chips and from the branches and brush left behind by timber cutting. Methanol can also be produced from garbage. The city of Seattle is seriously considering building an \$82-million plant to manufacture methanol from the municipal refuse that now must be hauled to increasingly distant landfills.

Waste wood and garbage, as well as plant stalks and manure from agricultural operations, represent a lot of potential fuel. By some estimates, enough energy could be "grown" out there to keep all the country's cars and trucks running. But coal is still abundant in the U.S., and it can be delivered in big tonnages to methanol plants scaled up to a maximum efficiency. So coal would probably be the main source for a long time to come.

To produce methanol, all these materials are first converted under high temperature into a so-called synthesis gas composed of carbon monoxide and hydrogen—the same medium-BTU gas that was long used in homes until it was displaced by cheaper natural gas. While some of the techniques for gasifying wood and trash are comparatively new, systems for turning coal into manufactured gas can be ordered right

out of catalogues. Once the synthesis gas is produced, it is a comparatively simple matter to pass it over a catalyst to form methanol, using new techniques developed over the past decade and used around the world.

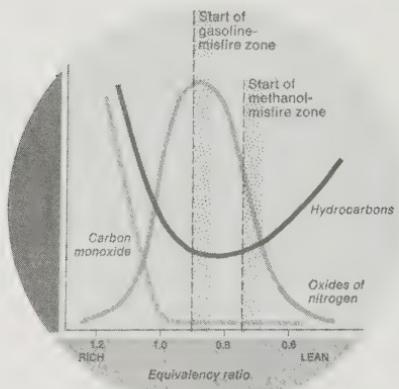
#### Wherever the flame has to be clean

Methanol is an amazingly versatile fuel. It travels well by pipeline, railway, barge, or conventional tank truck, and unlike electricity or gas, it can be stored easily and safely near the point of use. It is a stable liquid at atmospheric temperature and pressure, unlike hydrogen, another much discussed "fuel of tomorrow," which requires thick-walled pressure tanks or expensive refrigeration. It is less explosive than gasoline—though it is also a bit more toxic.

Nearly every energy-using device in the nation could be adapted to burn methanol. Factories that now use natural gas in operations requiring a very clean flame (e.g., baking and glass annealing) could quickly switch to the new fuel by substituting pumps and nozzles for burners. Though great controversy rages over the benefits of

## THE CLEAN SYNTHETIC FUEL THAT'S ALREADY HERE

by Edmund Faltermayer



## METHANOL CARS RUN LEAN AND CLEAN

The ability of methanol-powered auto engines to run leaner—i.e., to use a lower than normal ratio of fuel to air—gives them an edge in both energy conservation and pollution control. In recent years automobile manufacturers have set carburetors leaner to help meet the federal government's ever tightening emission standards. But as this chart shows, ordinary gasoline engines start misfiring at an "equivalence ratio" of about 0.9 on a scale that converts the fuel-air ratios for gasoline and methanol to a common yardstick. At that ratio, two pollutants are reduced, but the third—nitrogen oxides—is much higher. To reduce nitrogen oxides, auto men have resorted to other engine modifications that impair performance. With 100 percent methanol, cars begin misfiring at a much leaner equivalence ratio of 0.75, where all three pollutants are low. At General Motors, a methanol-powered single-cylinder test engine recently ran smoothly at an ultra-lean ratio of 0.6.

adding methanol to gasoline as a fuel extender, nobody in Detroit questions that autos can run on straight alcohol, and run better in many respects than they do now. For less than \$200, two Stanford University graduate students five years ago modified a Gremlin car to run on methanol. The car scored the lowest emissions of any liquid-fueled vehicle in the 1970 Clean Car Race.

Methanol not only works in conventional automobile motors, but may offer advantages in such promising variants as the stratified-charge engine, or in radically different power plants such as turbines and fuel cells. It might also be the most convenient fuel for motor vehicles in a future age of abundant new energy sources. Harnessed heat from the sun, the earth's interior, or fusion reactors could well be used to produce methanol from water plus coal or limestone.

Methanol has only two drawbacks, one minor and one that could prove formidable. A gallon of methanol con-

tains only half as much energy, expressed in British thermal units, as a gallon of gasoline; to travel the same distance, therefore, a car would have to carry twice as much fuel in an enlarged tank. But, on the average, this would add only 2 percent to a car's weight, e.g., the equivalent of an extra seventy-pound youngster in a two-ton family sedan.

The important obstacle—at least for now—is methanol's price. Three years ago, that seemed like the least of the problems. Chemical companies, beset by temporary overcapacity, were selling methanol made from natural gas for about 12 cents a gallon, retail. Since then, oversupply has turned to shortage and the price has climbed to a recent level of 38 cents.

### The new math of new fuels

The rising cost of coal and the ballooning capital cost of erecting new synthetic-fuel plants of any kind have damped the hopes of some enthusiasts that methanol made from domestic coal could compete commercially with gasoline. Indeed, those swollen capital costs are just as serious a problem for this country as OPEC price increases. Current estimates of the price of coal-derived methanol, which vary considerably by company and rise almost monthly, average about 35 cents a gallon at the plant. That price, which corresponds to 70 cents for gasoline at the refinery, may not look so unattractive a few years from now when conventional fuels may be much costlier. But so long as gasoline remains cheaper—recently about 35 cents at the refinery plus another 20 cents or so equally divided between distribution costs and taxes—methanol cannot make it unless the government provides an economic incentive for a switch. One way would be to boost federal gasoline taxes sharply—which Congress seems exceedingly reluctant to do—while keeping methanol tax-free.

But every other liquid-fuel substitute for petroleum is beset with even more serious problems. Shale-oil products, for example, might prove cheaper than methanol. But large-scale development of western shale deposits is barred, at least for now, by such difficulties as the disposal and revegetation of staggering amounts of tailings. The only proved systems for converting coal to synthetic oil and gasoline, such as the one being expanded in South Africa, are outmoded and probably more expensive than making methanol.

Cheaper ways of liquefying coal, now under development in the U.S., represent the only other alternative to methanol on the horizon. In these new processes coal would be converted directly from a solid to a petroleum-like liquid without the gasification step. But the U.S. will probably not be ready to start building the first full-sized coal-liquefaction plants for five more years. And by that time the economic advantage of the new processes may be canceled out by further inflation in construction costs.

This seems a likely development to the officials at

## The Perfect Car

What makes a car perfect? Brute strength? Safety? Beauty? Expense? The class could discuss the attributes that they feel are necessary to make a car perfect. They could then pick up new car brochures at dealerships and combine the features of cars available until they have something as close as possible to their definition of perfection. They might cut out the features shown in photographs and paste together a Class Car, naming it and giving a 'Sneak Preview of the Class Car of the Future' to other classes. Students could give talks on safety, point out features, explain diagrams. This project can be as small or as large as you want it, from discussion only to carrying out the Seminar with posters, advertisements and selling aids.

The Class Car could be 'sold', with salesman writing up orders, listing options, dealing on price.

## More Than Just Brute Strength

On the following pages the safety features of one car are diagrammed. Students could write to one foreign manufacturer and one domestic maker asking for information on the engineering features of their cars. They could then compare such features as safety, practicality and comfort. This is a companion project to #6.

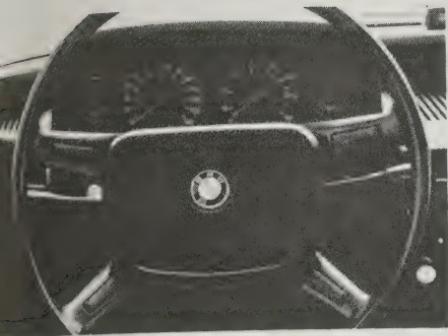
## So You Think You Know How to Drive

Careful research by medical and technical teams has shown no evidence of accidents in Ontario. The team always found a cause for the crash (and as you know, an accident is an occurrence 'without apparent cause'). The cause they found was almost always the driver and the driver's inability to handle their car under emergency conditions. "Usually,"

said one expert, "if a driver goes into one 4-wheel skid on a highway, it's his last one." The same expert added, "Most accidents are caused by people going onto the soft side of the road with one wheel and not knowing how to get their car safely back onto the pavement. They steer back too sharply and wind up travelling across lines of high speed traffic." Another expert insists that training in emergency situations should be mandatory before a driver is licensed, and that the cost of such training would be paid out of the savings on treatment of injured motorists.

The class could investigate and report on the driver training courses available in the area. Be sure to check with the police for their Pro Drivers Course. They would rate the courses for: cost, number of lessons, scope, available equipment, number of hours driving with instructor, recognition by insurance companies, emergency training.

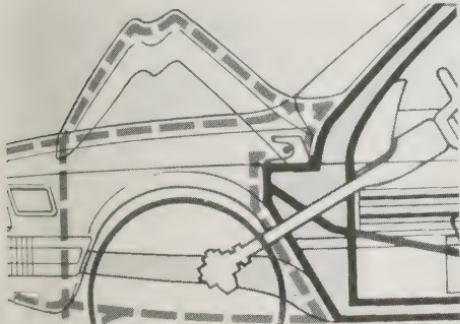
They could write to the Canadian Automobile Sports Club in Ottawa or Toronto for information about training they provide. They should also check the Rally School run by Walter Boyce in Ottawa by writing Marc Chappel, 2029 Kilbourne Avenue, Ottawa K1G 2Z9.



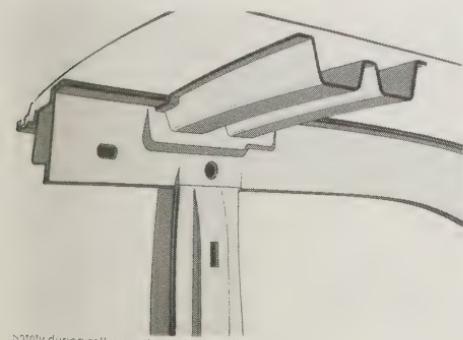
BMW safety steering wheel with large-area impact pad



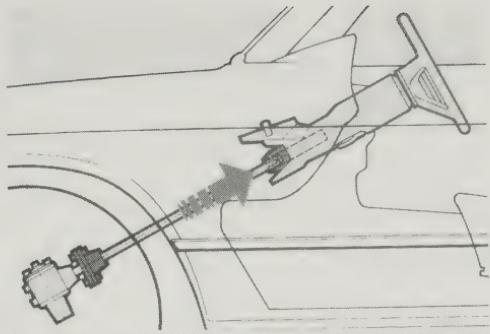
Recessed automatic reel for the 3-point seat belts for front seats.



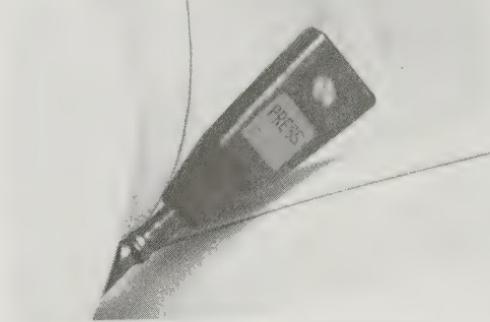
Programmed crush sequence of engine hood with special interception device



Safety during rollovers through integrated rollover bar.



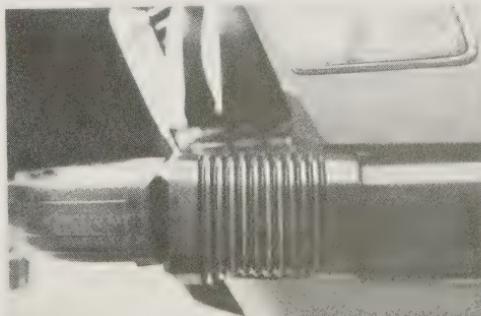
Telescoping safety-type steering wheel column and steering gear located in 'safe' zones, outside the crush zone



Seat belt closure can be opened or closed with one hand



Special hood lock with catch hook



Bumpers with hydraulic shock absorbers integrated in the bumper design

Reproduced by permission of BMW Distributors Eastern Canada Limited.

## Treasure Hunt to Skill

This year the CBC will be filming the Canadian Winter Rally -- not for the excitement, but because rally drivers simply do not get hurt. They have developed a degree of skill that lets them get into trouble and get right back out. The training for a top international rally driver begins on a Treasure Hunt, checking the stones in a graveyard to find the name of "The Oldest Resident", picking up a piece of blue cloth tied to a fence post in response to "Blues to Your Right."

If enough people in class drive vehicles, a rally can be set up. Any vehicle should be able to enter as it is not a question of speed but of correctly interpreting directions, driving at low but average speeds, to arrive at check points at the right time, neither late nor early.

Each vehicle should have a driver and at least one navigator. Odometers and speedometers should be checked before the Hunt.

Instructions must include shortcuts placed in sealed envelopes to be opened only if a car has a flat or other bad luck that may cause it to fall behind. The penalty points lost in opening the envelope will be small, while any vehicle caught speeding should be automatically disqualified.

Be sure to notify the OPP of your intention to hold a Treasure Hunt Rally and your route. They have a special bureau to assist you. Ask them to advise you of any complaints so that reparation and apologies can be made. Speak to the people along the route and try to get them to take part, perhaps as spotters, checkpoint officials, or competitors.

A sample sheet of instructions, directions and questions is enclosed at the end of this section. Make the route simple, short, and slow. Drive the route the day of the rally to check it.

This project can be of great value in developing responsible drivers with an appreciation of true driving skills and an understanding of the performance their vehicles can give. It can be an object lesson in the advantage of keeping a vehicle in good condition. Hidden benefits are map reading skills, teamwork under pressure, a new interest. However, it must be run under firm control. The object must be to decipher the riddles and return with the correct answers, not to arrive on time.

# Sample Instruction Sheet for Rally

2ND ANNUAL BURMAH OIL SLICKS CAR RALLY - 1975

Entry fee ..... Nil

Once again a fun rally with no average speeds, timed sections, or check points. The emphasis is on an enjoyable drive, so take your time and drive with care.

READ ALL INSTRUCTIONS CAREFULLY BEFORE STARTING!!!!!

We may try to fool you just a little bit....

A questionnaire by section is on a following page.

READ IT CAREFULLY!!!!

We have also included a question/answer card. Please PRINT clearly the name of driver and navigator. Use this card for all answers. Answers must be in rally mileage order. Failure to answer any questions correctly will incur a penalty of 10 points per question.

We again have three sections, with a total rally mileage of approximately 90 miles. Three sealed "PANIC" envelopes are attached showing the location of the end of each section. Hand these in at the end of the rally. Envelopes opened will incur a penalty of 25 points each.

For the novice rallyist again, route changes are abbreviated as follows:

RRX	Railroad crossing
TS	Traffic signals
TR	Turn right
TL	Turn left
S	Stop
SA	Straight ahead

(example: TS-TR Traffic signal. Turn right.)

Where no route change is given do not leave the main road at this stage. We would also remind you that:

1 mile = 1.609 kilometers

1 kilometer = .6214 miles

Section I

zero your odometer at exit from parking lot.

- 00.00 TR Proceed west on Lakeshore Blvd. W.  
.01 Bear right to Highway 427.  
1.3 TS Continue north on Highway 427.  
Stay on Highway 427 north.  
4.0 Keep right on Highway 27 north.  
Continue on Highway 27 north.  
5.7 Keep left on Highway 27 north.  
8.2 TS-SA Belfield Road.  
9.5 TS-SA Rexdale Blvd.  
10.5 TS-SA Speedo check - Humber College Blvd.  
10.8 TS-SA  
11.5 TS-SA  
13.75 TS-SA  
18.85 TL Nashville Road.  
20.2 RRX
- 22.85 S-SA  
22.85 S-SA  
24.05 S-SA  
24.85 S-SA  
26.9 SA  
27.95 RRX Proceed with CAUTION!  
28.35 S-TL  
29.4 RRX  
29.6 TR  
30.55 RRX  
31.6 S-TL  
32.0 RRX  
32.5 S-TR  
34.45 S-TL  
34.7 RRX  
37.1 S-TL  
37.6 TR - into school parking lot.

END OF SECTION I

QUESTIONS

- 11.7 mi. - For British babies?  
15.0 mi. - Whose heptagon?  
15.8 mi. - Unlucky Height? \_\_\_\_\_ ins.  
19.1 mi. - Links?  
22.85 mi. - Whipper Billy's gas?
- 25.4 km. - Training started?  
29.45 mi. - Floor boards?  
31.65 mi. - Mailbird?  
32.7 mi. - Take a Chance!!!!  
36.9 mi. - Corner stone laid?

## **Talk and Tell**

Students could visit one each of a used car lot, new car dealer and private seller, being careful not to waste too much of the salesman's time. They could then report on their experiences, what sale points were stressed, how realistic were the prices, etc. They could prepare a chart comparing the sales attitude, approach, service facilities, warranties, price, extras, etc.

## **To Lease or Buy**

Students could research and compare the advantages of leasing a car, boat, trailer or snowmobile versus buying.

## **Insurance**

Check with several insurance companies to find out the cost of insurance in the following cases:

1967 Ford Sedan. Driven for pleasure, no restrictions on driving to work or on total mileage. Liability: \$200,000 inclusive. Collision \$100 Deductible. Comprehensive: \$25 Deductible.

Principal Driver: Male. Married. Age 55. No accidents.

Male. Unmarried. Under 25. No accidents.

Male. Married. Age 55. Accident claim previous year.

Female. Unmarried. Under 25. No accidents.

It may be worthwhile to check the comparative cost of lower coverage.

## Decisions, Decisions

A. Deciding to Buy is a questionnaire which students can fill in for themselves or for a 'sample family'. It may be on a vehicle they would like to own, or may need. They should make a sincere effort to find the information required on each part of the questionnaire.

B. Rate Your Car can be done on their own and/or the family car. If two or more students own cars, their Rate Sheets could be discussed. They could decide on what repairs are necessary to bring cars over the 85 mark. Many experts put the crucial trading time at 60,000 miles. Repair bills are said to hit their peak between 60,000 and 70,000 miles.

### Deciding to Buy

#### A. Opportunity costs:

1. Approximate part of disposable income items will cost: \_\_\_\_\_

2. Value of time spent in upkeep in comparison to probable benefits:

Great \_\_\_\_\_ Moderate \_\_\_\_\_ Little \_\_\_\_\_

3. Other things for which same money could be used:

Item:                   Necessity?                   Pleasure?

\_\_\_\_\_                   \_\_\_\_\_                   \_\_\_\_\_

Decision:                  Buy \_\_\_\_\_                  Do Not Buy \_\_\_\_\_

(If decision is to buy, go on to next item.)

B. When to buy:

1. How much is it needed? Greatly \_\_\_\_\_ Moderately \_\_\_\_\_  
Not Really \_\_\_\_\_ But I want it \_\_\_\_\_
  2. Time of year item will be on sale, if any: \_\_\_\_\_
  3. Urgency of need outweighs sale savings:  
Yes \_\_\_\_\_ No \_\_\_\_\_
- Decision: Buy now \_\_\_\_\_ Buy later \_\_\_\_\_

C. Brand:

1. Model desired \_\_\_\_\_ Brands which have the desired model \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_
2. Consumer reports rating:  
Brand \_\_\_\_\_ Rating \_\_\_\_\_
3. Government reports rating:  
Brand \_\_\_\_\_ Rating \_\_\_\_\_

Decision:

D. Complete for each brand and model considered:

- a. Initial cost \_\_\_\_\_
  - b. Possible discount or sale savings \_\_\_\_\_
  - c. Trade in, if any \_\_\_\_\_
  - d. Total base cost \_\_\_\_\_
  - e. Taxes: Fed. \_\_\_\_ Prov. \_\_\_\_ Total: \_\_\_\_\_
  - f. Additional costs: Interest \_\_\_\_\_  
Insurance \_\_\_\_\_  
Maintenance \_\_\_\_\_ Total: \_\_\_\_\_
- g. Total of costs: \_\_\_\_\_

Decision:

Brand to buy: \_\_\_\_\_  
Model to buy: \_\_\_\_\_

## Rate Your Car

This questionnaire was published by Better Homes and Gardens in July 1970, copyright: Meredith Corporation.

85 + It's probably worth keeping for a while.

50 - 84 Think it over.

Under 50 Probably costing you more than it's worth. Get out before you have to get out and push.

	POOR	FAIR	GOOD	EXCELLENT
Body exterior (dents, rust, chrome, paint)	0	5	15	25
Body interior (upholstery, headliner, instrument panel, carpeting)	0	5	12	20
Engine (noise, oil consumption, poor performance)	1	4	12	18
Drive train (transmission, rear end—leaks, klunks, slippage)	2	5	10	15
Cooling system (radiator, hose, thermostat, water pump, heater core)	2	4	5	7
Electrical system (alternator, starter, battery)	3	4	6	8
Suspension and steering (worn parts, alignment, springs, shocks)	2	5	8	12
Tires—tread depth (excellent: 10/32-11/32 in.; good: 6/32-9/32 in.; fair: 3/32-5/32 in.; poor: 2/32 in. and under)	2	3	5	7
Exhaust system (exhaust pipe, muffler(s), tail pipe)	2	3	5	7
Brakes (how long since major overhaul? stop straight and dependably?)	2	4	6	9
Miscellaneous (accessories, heater, air conditioner, etc. in working order?)	2	3	4	5



# Laws

Laws



## **Business Practices Act**

- see Laws, Credit Section

## **Conditional Sales Act**

- states what information must be included in a Conditional Sales Contract and the responsibility of the seller.

## **Consumer Protection Act**

- see Laws, Credit Section

## **Ontario Highway Traffic Act**

- regulates the use of motor vehicles in Ontario.

- Section 58 regulates the sale of used cars:

- a. requires any used car sold to have a Safety Standards Certificate, see Paperwork of Buying

## **Motor Vehicle Dealers Act**

- provides for the registration and bonding of all motor vehicle dealers.

- a. dealers must prove financial responsibility and have a good record of past conduct.

- provides for the registration of all motor vehicle salesmen.

- a. must be financially responsible and have a good past conduct record.

- provides action to be taken against any dealer or salesman who breaks these regulations.

- specifies that rolling back the mileage or causing anyone else to do so is a punishable offense.

## **Motor Vehicle Accident Claims Act**

- provides the Fund outlined under Insurance, this section.
- administered by the Ontario Ministry of Consumer and Commercial Relations

## **The Ontario Personal Property Securities Act**

- provides a computerized central registration system through which a buyer can check if the personal property has previously been pledged as the security for a debt.
- this is especially useful in the case of used cars.
- there are 48 branch offices, usually located in the Land Registration Office of the Ontario Government Building in each county or district.
- a \$2.00 fee is payable for each search.
- the office can be contacted by letter or in person.

## **Sale of Goods Act**

- in general terms, this Act provides that certain warranties and conditions will be implied in every contract of sale; i.e. that carpet laid down will be the same as the sample shown.

## **Ontario Travel Industry Act**

- described in the Credit Section, Laws.

Some other laws and regulations set up in the Province of Ontario with regard to motorized vehicles are as follows:

The Snowmobile Act, Regulation 614

The Marine Insurance Act

Regulations regarding the use of Bicycles, Mopeds,  
Scooters, Motorcycles, etc.

Information about Acts and Regulations as mentioned here is  
available through:

Ontario Consumer

Queen's Park

Toronto, Ontario

Copies of the Acts may be obtained through:

Ontario Government Bookstore

Publications Service

800 Bay Street

Toronto, Ontario



# **Reference/Further Study**



### Automobile Restoration Guide

Information on a rewarding hobby. Includes a directory of restoration Services. Stanley Nowak. Pbl: General Publishing Co., Toronto.

### Automotive Tune Ups for Beginners

Diagrams, photos, clear instructions. Really simple. I.G. Edmonts. Pbl: Macrae Smith, Philadelphia.

### Back to the Bike

Light and easy information from choosing to repair. Very good. Clifford C. Humphrey. Pbl: 101 Productions, San Francisco.

### The Book of Expert Driving

Fine points of car handling. Latest findings re safety. How to take the best care of your car, how to meet uncommon emergencies. Techniques used by experts. Excellent. E.D. Fales Jr. Hawthorn Books, N.Y.

### Canadian Consumer

A magazine published by the Consumers' Association of Canada. Test products, discuss current issues.

### Canadian Motorist

A magazine published for members by the Ontario Motor League. Test drive cars. Give information on current trends, models, etc.

### The Consumer's Guide to Better Buying

Good advice on how to shop, what to avoid, canny market-scanning. Much sense here. by Sidney Margolius. Pocket Books, Inc., N.Y.

### Consumer Report

A magazine published by the Consumers Union, U.S. Reports on new car models every year.

### Fixing Up Motorcycles

Clear. Illustrated. LeRoi Smith. Pbl: Dodd, Mead, N.Y.

### How to Get Your Car Repaired Without Getting Gypped

A handy guide to small repairs, how to find a good mechanic. Paints black picture of common frauds and faulty repair work. by Margaret B. Carlson and Ronald G. Shafer, Harper & Row, N.Y.

### Hydrofoils

Interesting - clear - simple. Gives enough information to convert an outboard to a hydrofoil. By C. Hook and A.C. Kermode, pioneers in the field. Pbl: Sir Isaac Pitman & Sons, Toronto.

### 1000 Questions Answered About Space

Terse, simple information -- exciting! Clarke Newton. Pbl: Dodd, Mead, N.Y.

### The Scooter

Very complete, diagrams, photos. Choosing, costs, driving, social and sporting, fixing. John Stevens. Pbl: Constable & Co., London.

### Snowmobile Safety Handbook

Contains vital survival information, distress signals, riding tips, and more. Should be kept with snowmobile at all times. Available from any responsible manufacturer. Prepared by the International Snowmobile Industry Association.

### Sportsmanlike Driving

Discusses the physical and mental qualities of a good driver, traffic regulations, road safety and hazards, auto mechanics. Tips for tricky spots like curves, skids, how to help accident victims. Keeping the car in repair. Set

up as a textbook for driver education. American Automobile Association, St. Louis, Webster Division, McGraw-Hill. Contact Canadian Automobile Association.

Steam Cars 1770-1970

Light. Advantages and failings. A discussion of alternatives. Lord Montagu of Beaulieu and Anthony Bird. Pbl: Cassel & Co., London.

The Teenager & Safe Driving

Mr. Griffin thinks that teenagers should be the best drivers on the road. He also seems unaware of any age difference between himself and his readers. This unaffected straight talk presents the case for good judgment, good training, good attitudes on the road. Can be used as a text. By Garnet M. Griffin.

Unsafe at any Speed

Talks engineering, style, pollution, collision. By Ralph Nader, Grossman Pbl., N.Y.



# Help!

Help!



# **Help!**

(Where to Get It)

For your nearest Northern Affairs Representatives and Consumer Protection Bureau Addresses, see Credit Section. Check with your local Chamber of Commerce.

For further information, or if something seems unfair about the deal, contact:

Registrar of Motor Vehicle Dealers

Ontario Ministry of Consumer and Commercial Relations

555 Yonge Street

Toronto, Ontario

Superintendent of Insurance

555 Yonge Street, 6th Floor

Toronto, Ontario



UNISET

UNISET

**PRESS FIRMLY YOU ARE MAKING MULTIPLE COPIES**

**CONDITIONS ON BACK  
FORM PART OF THIS  
CONTRACT**

DAY	MONTH	YEAR
-----	-------	------

(NAME OF DEALER)		PURCHASER		ADDRESS		APT. NO.
CITY	PROV.	POSTAL CODE	RES. PHONE	OCCUPATION		
EMPLOYER		ADDRESS		BUS. PHONE		

If new vehicle is sold herein the prices shown in this section are the manufacturers suggested retail prices of basic vehicle and optional extras.

I/WK HEREBY OFFER TO PURCHASE FROM THE ABOVE DEALER, THE FOLLOWING VEHICLE ON THE TERMS AND CONDITIONS HEREIN SET FORTH, INCLUDING THE CONDITIONS ON THE BACK HEREOF.

NEW      YEAR      MAKE      MODEL NAME      MODEL NO.      COLOUR

USED      DEMO

TRIM      TOP      SERIAL NO.      LIC. NO.      STOCK NO.

OPT.      OPTIONAL EQUIP.      LIST PRICE

BASIC VEHICLE

IF DEMONSTRATOR WARRANTY TIME IS MEASURED FROM

19      ODOMETER READING      PURCHASER'S INITIAL

A REPLACEMENT MOTOR VEHICLE PERMIT TRANSFER CANNOT BE OBTAINED WITHOUT A SAFETY STAN-

DARDS CERTIFICATE PURSUANT TO THE HIGHWAY TRAFFIC ACT.

THE VEHICLE HEREIN WILL BE DELIVERED WITH AN "UNFIT VEHICLE PERMIT" AND THE PURCHASER IS RESPONSIBLE FOR REMOVING THE UNFIT VEHICLE PERMIT AND TRANSFERRING THE UNFIT MOTOR VEHICLE PERMIT AT HIS OWN COST.

THE VEHICLE HEREIN WILL BE DELIVERED AT THE PRICE HEREIN STATED WITH A SAFETY STAN-DARDS CERTIFICATE.

NO.  YES  WARRANT NO

The said purchase to be for the price as hereinafter set forth and shall include the transfer to you of my used car if any, as described below which said used car I warrant to be free of all encumbrances, except as herein disclosed.

**TRADE-IN DESCRIPTION & LIEN DISCLOSURE****TERMS OF SETTLEMENT**

YEAR      MAKE      MODEL      TOTAL SALE PRICE

LICENSE NO.      YR. OF ISSUE      ENGINE NO.      TRADE-IN ALLOWANCE

SERIAL NO.      ODOMETER READING      NET DIFFERENCE

WAS CAR PREVIOUSLY USED AS A TAXICAB?  YES  NO SALES TAX

WAS CAR PREVIOUSLY USED AS A POLICE CRUISER?  YES  NO LICENSE FEE

NET AMOUNT OF LIEN OWNED TO GASOLINE

LAST REGISTERED OWNER RUST INHIBITOR TYPE

ADDRESS      SIGNATURE UNDERCOAT

**CUSTOMER INFORMATION**

NAME OF INSURANCE COMPANY      BALANCE DUE

POLICY NO.      EXPIRY DATE      DEPOSIT CASH  CHEQUE

NAME OF AGENT      TELEPHONE NO. PAYABLE ON DELIVERY

DRIVER'S LICENSE NO.      EXPIRY DATE BALANCE FINANCED SUBJECT TO APPROVAL

REMARKS LIFE/DISABILITY INS. (IF REQUESTED)

COLLISION INS. (IF REQUIRED)

REGISTRATION FEE (IF NECESSARY)

NET AMOUNT TO BE FINANCED

COST OF BORROWING %

TOTAL BALANCE DUE \$

AMOUNT OF PAYMENTS NO. OF PAYMENTS

PAYMENTS START ON

CREDIT APPROVAL

ANY FINANCIAL INFORMATION PROVIDED IS IN ACCORDANCE WITH THE CONSUMER PROTECTION ACT R.S.O.

REGISTRATION NO.

SALESMAN'S NAME (PLEASE PRINT)

SALESMAN WITNESS

TOTAL MANUFACTURER'S SUGGESTED RETAIL PRICE \$

FREIGHT

PRE-DELIVERY EXPENSE

TOTAL \$

DISCOUNT (IF APPLICABLE)

TOTAL SALE PRICE \$

VENDOR'S ACCEPTANCE DEALER REG. NO.

DATE

NAME OF OFFICIAL (PLEASE PRINT) ACCEPTOR'S REG. NO.

PER TITLE CO-SIGNER (IF ANY)

VCA 2015 ▼ (INFORMATION BELOW THIS LINE IS NOT PART OF THE CONTRACT) ▼



#### CONDITIONS (Continued)

agrees that the same are hereby incorporated by reference and shall constitute part of this agreement as fully as if printed on the face of the agreement and above the Purchaser's signature.

#### WARRANTIES

3. There are no warranties or representations by the dealer with respect to the motor vehicle described herein or affecting the rights of the parties, other than those set out in any applicable legislation and in the case of a new motor vehicle, provided in the new car warranty given by the manufacturer and/or the dealer. No other warranty agreement or representation made hereto, nor any modification hereof, shall be binding upon the dealer or his assigns unless endorsed hereon in writing.

#### TITLE

4. The title and right of property in the said motor vehicle shall not pass to the purchaser until the entire purchase price is paid in full. In the event that a financing contract cannot be arranged by reason of any default or misrepresentation by the purchaser, then the entire purchase price shall forthwith become due and payable.

#### DEFAULT IN PAYMENT

5. In the event that the Purchaser shall make default in any payment due hereunder then the entire purchase price shall forthwith become due and payable and subject to the provisions of The Conditional Sales Act and The Consumer Protection Act the dealer or his assigns shall have the right to repossess and resell the motor vehicle by private sale or by public auction, without notice to the purchaser and to that end shall have the right to make whatever repairs are deemed necessary. Such a repossession and resale shall not affect the dealer's right to retain all payments made theretofore as liquidated damages and not as a penalty.

#### CANCELLATION OF AGREEMENT

6. It is mutually understood and agreed that in the event of this agreement being cancelled by mutual consent, the dealer shall forthwith return the deposit, if any, and any used motor vehicle which has been taken in exchange as part payment of purchase price sold by the dealer prior to such cancellation, shall be accounted for by the dealer at the trade-in allowance as shown on the face of the agreement.

#### DELIVERY BY DEALER

7. It is mutually understood and agreed that where the motor vehicle herein described, is a new motor vehicle, and the dealer is unable to make delivery within three months of the date of the contract, the dealer shall forthwith notify the purchaser on expiration of the three month period and,

- (i) The agreement may be extended within 5 days of notification by mutual consent to be evidenced in writing or,
- (ii) The 5 day period referred in sub (i) has expired or on express notification by either party, the agreement may be cancelled and the dealer shall forthwith return the deposit if any, and the motor vehicle given as a trade, to the purchaser and such return shall operate as a full release of all claims. Where the motor vehicle given as a trade has been sold by the dealer, the purchaser, on cancellation shall be entitled to recover only the amount set out on the agreement as a trade-in allowance.

#### ACCEPTANCE BY PURCHASER

8. It is mutually understood and agreed that where the purchaser fails to accept delivery of the motor vehicle within seven days of the date of mailing of a notice from the dealer of the availability of the vehicle for delivery the agreement may be cancelled by the dealer and all moneys paid as a deposit, including any motor vehicle taken in exchange, may be retained by the dealer as liquidated damages and not as a penalty. The said notice is to be sent by prepaid registered mail addressed to the Purchaser's last known address.

#### TRADE-IN VEHICLE

9. It is mutually understood and agreed that any motor vehicle given in exchange or as part payment towards the purchase price of the motor vehicle sold herein, shall be equipped and in the same condition, reasonable wear and tear only accepted, at the time of delivery for acceptance of the said motor vehicle as it was at the date hereon and any repairs prior to delivery but after the date hereon shall be the sole responsibility of the purchaser.

#### LIENS ON PURCHASED VEHICLE

10. The purchaser shall not hereafter cause or permit any charge, lien or encumbrance whether possessory or otherwise, to exist against the said motor vehicle until the purchase price has been paid in full.

#### INSURANCE

11. It is expressly agreed that the dealer is not responsible and in no way guarantees the provision of insurance coverage of any kind for the said motor vehicle, but may, if so requested, assist the purchaser in obtaining insurance coverage for the said motor vehicle.



DATE

### PURCHASER STATEMENT

**IMPORTANT** (All questions must be answered)

**THIS FORM MUST ACCOMPANY CONTRACT - CUSTOMER MUST SIGN AT ARROW BELOW**  
(Statement must cover at least three year's residence and employment)

PURCHASER'S NAME (CHRISTIAN) (INIT) (SURNAME)						FIRST NAME & INITS. OF SPOUSE	RES. PHONE	
RESIDENCE ADDRESS STR. NO. & NAME APT. NO. IF ANY OR LOT CONCESSION & TOWNSHIP						CITY, TOWN OR VILLAGE	PROV./STATE HOW LONG	
PREVIOUS ADDRESS BIRTH DATE MARRIED MONTH DAY YEAR <input type="checkbox"/> YES <input type="checkbox"/> NO NUMBER DEPENDANTS						MONTHLY INCOME HUSBAND \$ WIFE \$ OTHER INCOME \$		
SOCIAL INSURANCE NUMBER						DRIVERS LICENCE NUMBER		
<input type="checkbox"/> OWN HOME <input type="checkbox"/> LIVE WITH RELATIVE <input type="checkbox"/> BUYING HOME <input type="checkbox"/> RENT OR LEASE NAME AND ADDRESS OF LANDLORD OR MORTGAGE HOLDER						RENT OR MORTGAGE PAYMENT \$		
PRESENT EMPLOYER POSITION (NAME)						BUSINESS ADDRESS HOW LONG EMPLOYED YRS. MOS. BUSINESS PHONE		
FORMER EMPLOYER (NAME AND ADDRESS)						HOW LONG EMPLOYED YRS. MOS.		
SPOUSES EMPLOYER POSITION (NAME)						BUSINESS ADDRESS BUSINESS PHONE HOW LONG EMPLOYED YRS. MOS.		
PREVIOUS CAR PURCHASED FROM NAME AND ADDRESS OF NEAREST RELATIVE WITH WHOM NOT LIVING						FINANCED BY (NAME AND ADDRESS)		
(1) _____						(2) _____		
DETAILS OF ALL CURRENT OBLIGATION AND PAST CREDIT REFERENCES						ORIGINAL AMOUNT	BALANCE OWING	MONTHLY PAYMENT
1								
2								
3								
4								
5								
BANK ACCOUNT AT						ACCOUNT NO.		
AGENT								
COMPANY						POLICY NO.		
COVERAGE COLLISON COMPREHENSIVE						PL & PD		
<p>The undersigned consents to the obtaining of such information as IAC LIMITED may require at any time in connection with the credit hereby applied for or any renewal or extension thereof and to the disclosure of any information concerning the Undersigned to any credit reporting agency or to any person with whom the Undersigned has or proposes to have financial relations.</p>								
(PURCHASER'S SIGNATURE)								



# Tips you can use!



# How to Write a Complaint Letter

- be factual
- don't be apologetic
- don't threaten
- keep your sense of humour and you'll get the reader on your side
- include the following information:
  - a. Your name, address and telephone number.
  - b. The name of the offending company and its address.
  - c. Make of product, model year if applicable, and warranty number if it is a warranty complaint.
  - d. A brief description of what took place on what dates, and what was done to solve the problem.
  - e. A brief account of the cost to you including money, time lost from work, cabs, buses, and getting repairs or assistance elsewhere.
  - f. Copies of work orders, letters, receipts, or other written material between yourself and the company. Never send originals -- get them copied.
  - g. Briefly describe the conduct of the person you dealt with. It is not necessary to be too explicit -- the term "offensive language" will cover a multitude of sins.  
Include how the complaint was received, their willingness to talk things over, their efforts to resolve the problem.
  - h. Address your complaint to the top. Find out the name by calling the company and asking.
  - i. Send copies to government agencies or consumer groups which might be able to help. List them under the heading: "Copies to" at the bottom of your letter.  
See "Help!"

j. It is important that your letter goes to the right person. Take some time to find out who that person is, and take the time to write it well.

# The Speaker in the Classroom

## Checklist for the Teacher

### Picking a Speaker

1. Pick a model. 'This person represents the banking industry'.
2. Pick someone who knows his or her subject, is willing to be flexible, likes young people and wants to help.

### Preparing

3. Try to avoid having a speaker talk to the whole school at once. Such large numbers make a real exchange of information almost impossible.
4. Survey the class. If possible, have them prepare five or six questions they want answered.
5. Be prepared to give the speaker, verbally or in short notes, a lesson plan which details exactly the material you would like covered.
6. Be careful to give the speaker enough notice to allow preparation.
7. Some notes for the speaker are enclosed. You may wish to give the speaker a copy when you first speak to him or her.
8. Call the speaker within a few days after your initial talk. He or she will have had time to think things over, read your notes and make some mental plans. A short discussion with you now can clarify the speaker's thoughts and get them moving.

# Notes for the Speaker

## When You Are Talking With The Teacher

1. Find out who you will be talking to -- a class or the whole school? Where? The home room or a gym? It is the difference between a talk by you and a discussion with them.
2. Find out what the teacher doesn't know about the subject. You are needed to provide new materials as well as a new face.
3. Find out what the class and the teacher really want to know.

## Preparing

4. Limit yourself to 15 minutes of input. This can be spread out with questions mixed in if the group is small enough.
5. Booklets or anything you can hand out serve to focus attention on your subject, remind them once you've gone.
6. If the students have been studying the topic, they will be prepared with questions for you. Then you can deal more specifically with the topic.  
If they have not been studying the topic, give an overview.
7. Remember that a speech is listened to as music is heard -- it flows, certain parts stand out, but there is not time to stop and run over in your mind the last few bars. The player has moved on! The waltz has become a rag, and you must stay with him or stop listening altogether.  
Because of this, give only the highlights of your subject. This is especially important if you are speaking to a large group, because it is difficult to

get a 'give and take' going. With a single class your questions will bring out answers and further questions, until the class has covered far more detail than you would have thought possible.

## Arrive Ahead Of Time

### When You Are Faced With The Class

#### Ways of Getting Started

8. Find out what they've been doing so far. Ask them questions, not just on the subject matter but on their approach to the subject in school.  
Don't give out a lot of material at this point. Try to tune in to where they are -- find out what they want to hear.
9. Alternately, you might explain who you are, where you are from. Give little facts about yourself, like "Yes, I am married. I'm \_\_\_\_ years old." This fits you into a framework, makes you a person and satisfied their curiosity about you. Now they can relax and pay attention to the subject on which you have come to speak.

#### Ways to Keep On

10. Don't be too established in what you are going to say. No written text. If anything, a few notes on large points to cover.
11. If you have a gimmick, now is the time to spring it on them. It will draw their eyes away from you and focus the conversation on something they can see and feel and relate to.  
(A speaker on environment control brings a bag of garbage to some classes. At this point, he spills it onto the floor. This kicks off discussion on the things people throw away, and eventually gets back to his point.)

12. Continue using questions to keep them with you, part of the discussion. Use questions to introduce new angles: "Now what do you suppose would happen if .... Does anyone know where to find .... How would you go about ...." Get to new levels of thought by building on questions and answers. They know the answer -- you just have to learn to ask the right question!
13. Keep it activity oriented if possible. In class groups, skits are possible.  
(Same environment control speaker: "I'm a Beckers manager and you are a customer who doesn't want to buy non-returnable bottles. But I only stock non-returnables. What would you do?" Ask for volunteers. Repeat with one or two. Don't be afraid to stop the skit and replace the volunteer if it isn't working. Pretty soon they're suggesting other approaches. This gets them interested and gives them something they can do -- a way they can act on the knowledge you have brought to them.)
14. Give them a new skill.  
How to make an ecology system, how to talk to a Beckers manager, how to open a bank account, how to open a safe, how to complain when they see unfair practices, etc.
15. Audio visuals are often useful. Keep films short - 12 to 15 minutes. Slide shows are useful, but they must be relevant. You could liven them up by encouraging discussion during the viewing. Turn off the sound and start asking questions related to the material on the slides.
16. A good ratio: 50/50 informative talk and questions.

## Other Skits and Questions for Ideas

A Banker. "I am walking into a bank. There's a security guard. The teller is over there. That's where you draw out money. The information people are behind another counter. In the back is the vault, etc." Describing the scene graphically.

"Okay. I'm a teller and you want to open an account."

"How much money do you think is really kept in a bank?"

Tell them about bank robberies. This leads to safety precautions. How quickly could the police get there?

Would they want to be a bank manager?

Describe what people do in a bank.

Show a bank book and discuss why they should have a bank account.

How banks control the economy of the country.

Interest rates.

Legislation regarding banking.

How to take out a loan.

What is credit?

Car Dealer. "I'm the salesman and you want to buy a new car. What's the first thing you want to know?"

Lawyer. "A man comes into the office and wants to sue his neighbour for libel. What do you do?"

Speaker on Business Practices. "I'm the clerk and I've sold you this wristwatch. Now it's not working. What do you do?"

"I'm a door-to-door salesman, and I'm going to sell you something. Just open the door when I knock on it."

## Sources of Free Pamphlets

The following list gives names and addresses of agencies that have indicated their willingness to provide free pamphlets as resource materials. Contact them directly for copies of the pamphlets.

### Bank of Montreal

First Canadian Place  
Toronto, Ontario M5X 1A1

- Banking Forms

### Better Business Bureau

85 Richmond Street West  
Suite 900  
Toronto, Ontario M5H 2E7

- Series - 16 books

### Canadian Association of Broadcasters

1240 Bay Street  
Suite 302  
Toronto, Ontario M5R 2A7

- Broadcast Code of Advertising for Children
- Canadian Code of Advertising Standards
- Advertising Today
- Code of Consumer Advertising
- Practices for Non Prescription Medicines

### Canadian Bankers Association

Box 282  
Toronto Dominion Centre  
Toronto, Ontario M5K 1K2

- Your Money & Credit Today and Tomorrow
- Banking for your Club

### Canadian Consumer Loan Association

21 St. Clair Avenue East  
Toronto, Ontario M4T 1L8

- It's Your Money
- Canadian Consumer Credit Fact Book - 1974

### Canadian Foundation for Economic Education

155 University Avenue  
Toronto, Ontario M5H 3B6

- Perspectives
- Rapport

### Canadian Imperial Bank of Commerce

Head Office  
Commerce Court  
Toronto, Ontario M5L 1A2

- Focus on Your Finances Series

### Canadian Life Insurance Association

15 Floor, 44 King Street West  
Toronto, Ontario M5H 1E9

- Hot Line: 1-800-261-8663
- How to Live Happily with a Price on your Head
- Sharpen your Pencil
- You & your Group
- After the Gold Watch
- That's Life
- Sunshine Sketches Schedule: Lively Woman TB Series
- How to Compare (Life Policies)

Canadian Securities Institute  
Box 225  
Commerce Court South  
Toronto, Ontario M5L 1E8

- Investment Terms & Definitions

Canadian Standards Association  
178 Rexdale Blvd.  
Rexdale, Ontario M9W 1R3

- The Consumer - Newsletter

Central Mortgage & Housing  
650 Lawrence Avenue West  
Toronto, Ontario M5A 1B2

- Housing for Rural People
- Loans for New Homes
- Loans for Existing Housing
- Mobile Homes
- Home Improvement Loans
- Neighbourhood Improvement Loans
- If You have Ever Dreamed of a Home of Your Own
- List of Offices

Consumer Corporate Affairs  
480 University Avenue  
Toronto, Ontario M5G 1V2

- Helping You Get a Fair Deal
- Who We Are and What We Do

The Consumer Interest  
University of Guelph  
Department of Family Studies  
Guelph, Ontario N1G 2W1

- Newsletter of current books

Thomas Cook Travel  
Toronto Dominion Centre  
Toronto, Ontario  
M5K 1K8

- Specimen Cheques & Sleeves
- Readers Digest Report
- Foreign Currency - Swiss, Japanese, Hong Kong

Credit Grantors Association of Canada  
60 Bloor Street West  
Toronto, Ontario M4W 1A2

- How to Use Consumer Credit Wisely

Eaton's  
Consumer & Corporate Affairs  
19th Floor, 1 Dundas Street W.  
Toronto, Ontario M5B 1CB

What You Should Know About  
Buying .....(Series)

Great West Life  
111 Richmond Street West  
Toronto, Ontario M5H 2G4

- What Everyone Should Know About Life Insurance

Insurance Bureau of Canada  
170 University Avenue  
Toronto, Ontario M5H 3B3

- A Young Driver's Guide to Car Insurance
- Drinking, Drugs and Driving
- Car Insurance Explained
- Home Insurance Explained
- Facts of the General Insurance Industry of Canada

Milk Marketing Board

50 Maitland Street  
Toronto, Ontario M4Y 1C7

- Teaching Nutrition Effectively (Program)
- The New 7-Day Milk Diet
- The Milk Diet Plan

Ministry of National Health & Welfare

Ottawa, Ontario  
K1A 0K9

- Disability Benefits under the Canada Pension Plan

Ontario Co-op Development Association

Suite 8  
14 Nelson Street West  
Brampton, Ontario L6X 1B6

- Co-ops are People Series

Ontario Food Council

1200 Bay Street  
9th Floor  
Toronto, Ontario M5R 2A7

- Guide to Good Eating
- Frozen Foods

Ontario Real Estate Association

99 Duncan Mill Road  
Don Mills, Ontario M3B 1Z2

- A Career in Real Estate - Is it for You?

Ontario Ministry of the Attorney General

Publications Centre  
3B-7 Macdonald Block  
Queen's Park  
Toronto, Ontario M7A 1N8

- Your Rights & Obligations Under the Landlord and Tenant Act

Ontario Ministry of Consumer & Commercial Relations

Ontario Consumer  
Queen's Park  
Toronto, Ontario  
M7A 2H6

- Interaction
- Booklets
- Organizing a Co-op in Ontario
- Ontario Consumer Newsletter
- Rent Review

Ontario Ministry of Health

7th Floor, 7 Overlea Blvd.  
Toronto, Ontario M4H 1A8

- The Ontario Health Insurance Plan - General Guide

Ontario Ministry of Housing

Community Renewal Branch  
Queen's Park  
Toronto, Ontario M7A 1N3

- Ontario Home Renewal Program

Royal Bank of Canada

20 King Street West  
Toronto, Ontario M5H 1C4

- Comparison Chart -- Sending Money out of the Country

Scotiabank

44 King Street West  
Toronto, Ontario M5H 1A2

- Banking forms

Toronto Dominion Bank  
P.O. Box 1  
Toronto Dominion Centre  
Toronto, Ontario

- Code of Advertising Practice

Toronto Stock Exchange  
234 Bay Street  
Toronto, Ontario M5J 1R1

- List of publications and reports
- Ticker tape and all that

Unemployment Insurance Commission  
and Manpower Canada

890 Yonge Street  
Toronto, Ontario  
M4W 2J2

- Rights and Obligations
- Illness
- Maternity
- Students

Unity Bank of Canada  
85 Richmond Street West  
Toronto, Ontario M5H 2C9

- Banking Forms



# Consumer Education Resource Materials

## Part 3: Money



Ministry of  
Consumer and  
Commercial  
Relations



## Introduction

This Consumer Studies Kit is a direct result of discussions with educators in Northwestern Ontario. Its intention is to help you equip students to live full and useful lives, using their earnings, their credit and the marketplace as tools with which to achieve their aims.

Any thought, however brief, that students can be stimulated into giving to personal values, planning how to achieve an aim or develop a talent, or where and how to spend their money will be helpful later. The education you are providing can help reduce the need for additional consumer protection laws. Any legislation is a restriction of personal freedom, yet it is often necessary to reinforce the balance in the marketplace.

In preparing this material, we have not tried to dwell on the different kinds of rip-offs that perennially appear, nor do we wish to help send a shrewd, fearful, 'me first' graduating class into the marketplace. Rather, we hope they will see themselves as competent persons who can function effectively. And the marketplace, let it be seen as 'a rich and friendly resource, with a few danger spots around the edges.'

That is a quote from Fred T. Wilhelms, Ph.D., editor of *The Consumer Educator*. He has called Consumer Studies one of the humanities and suggests:

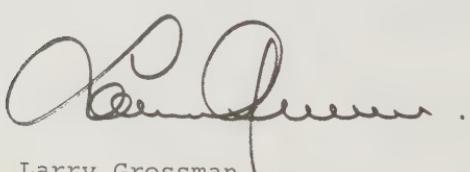
"While you are building your students' foundation of competence in buymanship, you can very naturally and with relative ease build also a superstructure of terribly important knowledge, insights, and attitudes. I have divided this superstructure into three areas:

1. You can help your students toward a rich image of the personal and family life they want to work toward, the values they mean to live by, and the commitments they will not forsake.
2. You can help your students toward a working familiarity with their economic system as it really is, along with developed values and commitments as to what they want to see it be and do.

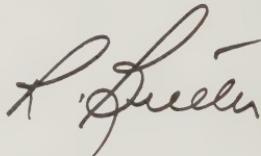
3. You can help your students toward a working acquaintanceship with the processes of government as they really work and with some of the major governmental institutions; even more important, you can help them work through to the beginnings of a social philosophy, a set of values and commitments they will push for as citizens."

As you can see, we feel that Consumer Studies is probably one of the most worthwhile courses you will teach. Putting this kit together has been an enriching and rewarding experience for all of us at the Ministry. Many of us met many of you. We found lively, interested people, working to keep courses up to date. We hope this Kit will be an 'encyclopedia of information' from which you can pull the facts and idea-starters you may need.

We are working now to develop information on other topics, but we need your input. Please keep in touch. Let us know how you are using this Kit and what you might like to see added so that it can be a useful tool for your work.



Larry Grossman  
Minister



R. J. Butler  
Deputy Minister

Please address any correspondence to:

Consumer Information Centre  
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Commercial Relations  
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## How to Use This Kit

1. This section is broken into sub-sections such as Sources, Costs, Guidelines and Laws.
2. There is an index at the beginning for easy reference.
3. Projects and Topics for Discussion are included and are designed to provide situations students can encounter and work their way through.
4. Where applicable, blank forms have been included for use in class. You may wish to copy them for distribution or use them as overheads.
5. Extras such as audio visuals, graphs and tables have been noted at the end of the Index.
6. Where possible, lists of books have been included which may help students see topics from new angles.
7. The illustrations on most coloured dividers may be used as overheads.
8. The looseleaf style is used to let you pull information from several sections when planning a lesson.
9. Information is given in point form so you can skim it quickly, use pages for notes when teaching, use them as overheads, or copy them for passing to students.
10. Only the facts have been provided so that you and your students can draw your own conclusions.

The Kit has been divided into 5 parts: Credit, Transportation, Money, Housing and Insurance. Copies of these other parts are available by writing to:

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Teachers may order limited class sets of the brochures published by the Ontario Ministry of Consumer and Commercial Relations - please check below. You may note government publications required in the spaces provided. We will forward your request to the office involved.

Books listed in the Reference and Bibliography sections must be ordered from the publishers, whose names are provided. A nearby library may have many of these books available, or may be willing to order them for your use.

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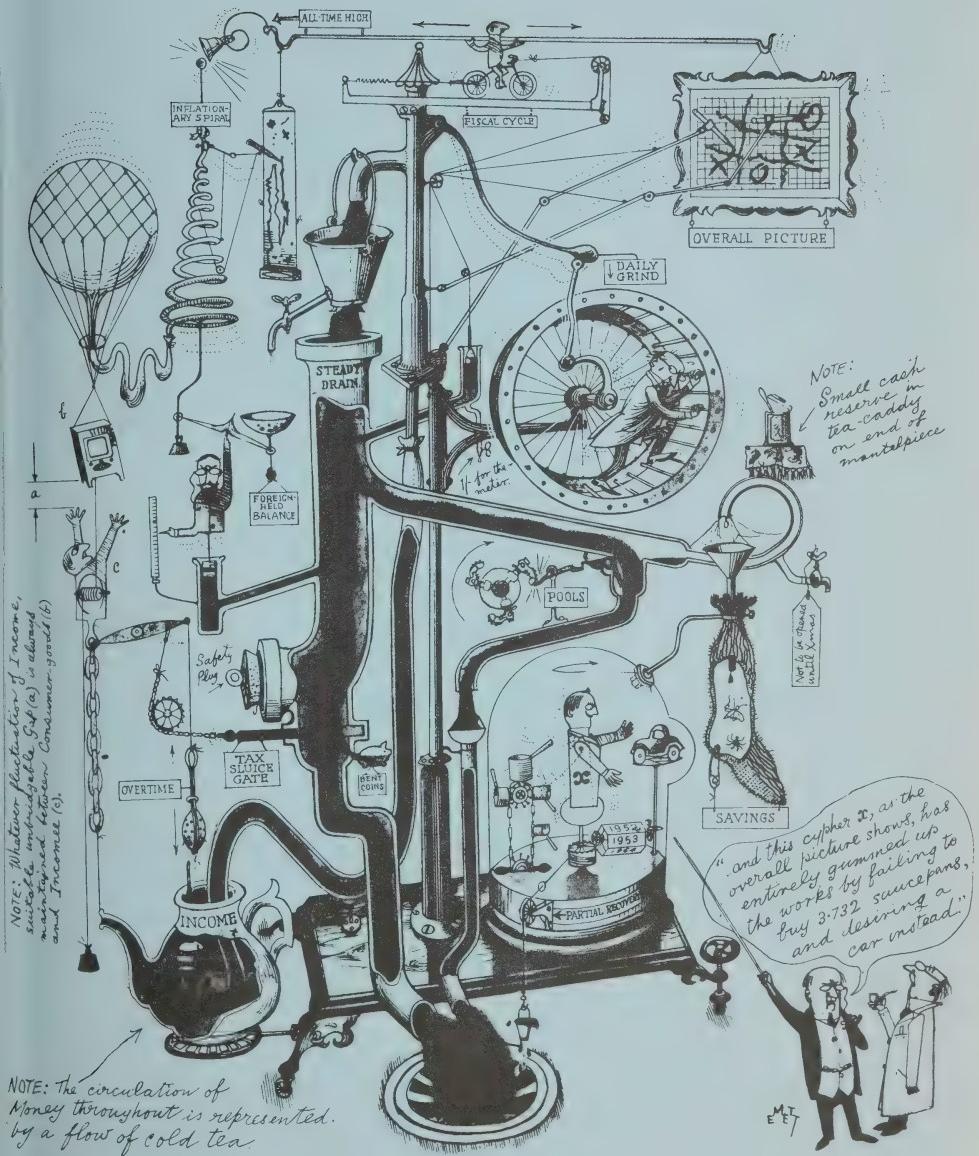
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# Money



"Financephalograph Position"

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# Topics for Discussion



## **Richer Living**

How rich are you? Judge this by how much you do, not how much money you have. Think about buying a richer life by learning to operate ham radio, staging a play, getting more education, family outings, developing talents (painting for fun even though you know you are not an artist). Consider taking courses you are interested in, which may not give you higher earnings just now. Don't forget, many a person has found that a hobby turned into a career, or at least provided an extra income. But money should never be the reason you do anything in your leisure hours, even in your working hours. There isn't enough money to buy even one moment more than 24 hours in a day.

## **Why Do We Do What We Do?**

Only for money? Don't we receive enjoyment out of the activity in which we are engaged, the personal relationships with other employees? What would it be like to have nothing to do?

Some people are now suggesting that people be paid for the 'busyness of their daily lives'.

For instance, the gardener whose flowers make the street beautiful, enjoyed by all passersby.

Most hobbies are really 'work'. Digging a garden isn't easy. Fixing a motor. Building a table. Yet these occupations give satisfactions, rewards, so that people consider it worthwhile to do them without a financial reward. See article "Tiptoe Through the Triffids" reprinted under Topics for Discussion.

## **Just a Job**

What type of life will the various jobs give you? A person who preferred the outdoors might become a steelworker, a policeman, a trapper, a lumberman. Working with animals can include acting as a groom, a veterinarian, doing research or farming. Working with people jobs are bus driver, waiting tables, selling, receptionist, doctor, nurse, secretary. What about people in business for themselves? What benefits of steady employment do they exchange for the independence and higher rewards of working for themselves?

## **Freedom of Choice**

How free are you to choose if you don't know what is available? Or what is influencing your choice? Is knowledge a basic element of freedom? What factors influence a decision to buy the following items:

A sweater

A roast of beef

A pound of bologna

A package of cigarettes

Which do you consider the most important?

## **Planning for the Future**

Tiptoe Through the Triffids is an article written by Charles R. Graham for the series "Man and His Money", published by the Life Insurance Companies and Canadian High News. Bearing in mind that the Orient was known for its fabulous wealth at a time when European civilization was in knee breeches and the Western World did not exist, the class could discuss how today's "have" countries budgeted or planned to achieve the high standards of living they enjoy today.

# Tiptoe through the Triffids



Tiptoeing through triffids is even more important than tiptoeing through tulips. I'll tell you why.

Triffids were discovered by that fine science fiction writer, John Wyndham. They grow from seeds carried here in meteorites from outer space. They are very beautiful flowers. They also love to kill people and eat them.

Since triffids locate their prey by sound vibrations it may be a good idea, as Tiny Tim is always advising us, to sneak through the garden very quietly.

Personally, I haven't yet seen a real triffid and I think despite their beauty, I would sooner not ever see one. If the shape of the future is going to include problems, like triffids, from outer space, then I wish to resign from civilization before the future occurs. I can see enough problems of purely earth origin without any Martian green men added for dessert.

## THE ECONOMIC FUTURE

I promised you, in this wrap-up article, a look at the economic future rather than a review of the whole series, which you can ruddy well do or not do yourselves.

I am not going to give you what you expect, a glimpse (one should bate one's breath and goggle one's eyes) of the beautiful, super-affluent future that technology is going to provide

for us. Let the scientists tell you about wall-to-wall three-dimensional television, automobiles that drive themselves, vacations in a space-satellite pleasure spa, and living your economic life not by receiving money and paying it out, but just by a series of debit and credit entries on your own, centrally-filed, personal computer tape. They're the boys to tell you about it, because they're the ones who have it all blueprinted for you now, and unless the whole world goes on a computer-wrecking spree (so far it's been confined to Montreal) that is what you're going to get.

All an economist can say about the future, from this angle, is that it won't be as different as everybody seems to think. Will we be working a lot less in the future? Yes, there will be a lot less "work" as we define it now, for people to do, because machines will be doing most of it. But what will happen is that the definition of "work" will broaden. Somewhere back in the dim beginnings of this series I said that man's wants always exceeded his productive capacity, and always will, and I still believe it after two years of more apple-pie-in-the-sky.

The typical pattern for any economy is that the primary industries, agriculture and fishing for food, lumbering and mining to get materials to work with, develop first. Then come the manufacturing, or secondary industries, making machines for our daily needs (stoves, furnaces, refrigerators) and our transportation (ships, trains, cars) and to lighten our work (typewriters to building cranes) and to entertain us (cameras, radio, TV). Last comes an increase in tertiary industry, or personal services: you can be fed, groomed, laundered and cleaned, built up or slimmed down, all without any personal effort except signing a cheque.

Now, in the future, we will be placing more *economic* value on what could be called "quaternary industry." The quaternary industries will exist to help people enjoy all that spare time they're going to have. We pay entertainers very highly right now, but in the future we are also likely to give 'income credits' to people who seem

completely lost in today's economic world — people who only want to plant trees, or be kind to children who kick them in the shins, or sober up drunks who are only going to get drunk again, or simply sit on the side of a hill and meditate.

It is awfully far away from present economics to suggest that things like this are going to happen, but then, I am far enough away from present economics to think it will.

Inevitably, of course, there is movement towards a basic income for everyone. Nobody asked to be born into this society, and once you are here, it has an obligation to provide certain standards of existence. But if you fail to contribute anything to society, this basic income is going to be mighty slim compared to the income of the people who do things. And really, it will be pretty easy to contribute. Suppose you are a welder. To meet society's needs, in the future, you might work an average of two hours a day at welding. Maybe you also love flowers, so you spend two hours a day gardening. Maybe you're growing flowers on your own private property, but as long as they're where passers-by can see them, they're a social benefit. So would you believe getting paid just as much for gardening as for welding? Likely it will happen.

#### PAY NOW, ENJOY LATER

All of this is based on trends in the affluent society of our part of the world that indicate where it is heading. But when you come to think of it — and I'm pretty sure most of you have thought of things like this, or you wouldn't be bothered reading my nonsense — we are a very small part of the world, and the deprived part of the world (where, as has been said over and over, almost everybody goes to bed hungry) is a much larger part.

So, if I had to choose one big economic problem of the future, it wouldn't be "What are we going to do with our spare time?" but "How can we bring the underdeveloped countries up to the same living standard we have?"

(It is now fashionable to call "underdeveloped countries" "developing countries", just as it is fashionable to call "undertakers", "funeral directors." I say this is stupid and I say go spit on it. A lot of underdeveloped countries aren't de-

veloping, or aren't being allowed to develop, at all.)

If you will let me drop off a profound statement right here, it is this: Underdeveloped countries need a balance between population and food, and they need capital.

Capital has nothing to do with an individual's personal assets. It is simply, in the economic sense, what a society or economy has saved up in the past to make life easier and more productive in the present. Which is why I started by saying, "pay now, enjoy later."

In an economy like ours, capital has been accumulating for generations. It is all around us, even if we don't recognize it. It is schools, universities, railways, highways, hydro-electric developments, and of course factories.

All these things were built to last a long time, by using part of the economy's productive capacity, each year, to provide for future as well as present wants. Much as it wanted to, the economy didn't use every man-hour available for satisfying current wants. It built for the future.

We seem to be the kind of human that does this. We are the ants. We are sort of programmed to plan for the future and make reasonable sacrifices for it. So should we look after the grasshoppers, the ones who don't have it in them to do things the same way?

We have to. We're all insects together.

#### DEVELOPING THE UNDER-D

First and most important of all, and please do not involve me in theological argument, some way must be found of limiting the population of the countries that can't even feed themselves. It must be a way that is acceptable to everyone, and it must be a way that is completely effective. This can be done. The underdeveloped countries will, first of all then, have to reach a sensible balance between their food production and their food eaters.

Then comes the problem of capital.

Broad generalizations are never very accurate, but it is fair to say that in most underdeveloped countries there has been and still is, a tiny little affluent upper class and a huge starving lower class. In many countries you had, and this is no exaggeration, 2% of the people getting 98% of the income and 98% of the people getting 2% of the income.

The wealthy class could afford to save, and invest in real capital — things that would provide benefits in the future — but they didn't. And they still don't.

Part of the money is simply thrown away (remember, for instance, Ali Khan?). And the rest is usually hoarded. The royal jewels of some middle eastern countries surpass those of any others in the world. You can go into a well-guarded museum and look at the world's largest collection of emeralds and rubies in one country, and then come out and watch a man die of starvation on the street.

Capital must go into these countries if they are ever to improve the living standard of their people. But it must go in to be used as capital, to build irrigation systems and desalination plants and better laboratories and highways and factories. It must not go in as a handout to add another dancer to the harem (Yes, Audrey, there are still harems) or as foreign aid that ends up — at least 90% of it — in a fat general's pocket.

#### CAPITAL DID IT FOR US

Nobody is infallible, but I would be willing to stake my reputation that capital got us where we are today. And this is where I want to get in one final word, which is thanks to The Canadian Life Insurance Association. They have not censored what I have written, and they have not asked me to tell you anything about life insurance, so this is for free: Capital builds a country. Savings, mainly by individuals, provide the funds for real investment that produces real capital. When you buy life insurance, you are putting part of your savings into a channel that flows to investors, creators of capital. Quite aside from the importance of life insurance to you, your insurance premium is going to be invested where it will contribute to the future of the country. And perhaps the world.

Oh, and I'd better tell you this about triffids. They're sort of a pinky-purplish-bluegray-maroon color.

Watch out for them.  
Good bye, and good luck.

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John Wyndham, *The Day of the Triffids*, Penguin Books.  
Will and Ariel Durant, *The Story of Civilization*, Vols. I-X, Simon & Schuster.

## **How is Money Made**

The Terrible Wreck Off Yap and How to Tell Off a Bank President are further articles by Charles R. Graham for the same series. Some discussion starters are included at the end of the article.

## **What is the Value of Money?**

Money has value in terms of emotions (feelings of security, pride), the effort you expend in getting it, and its effect on your actual way of living. Discuss which of the foregoing are most likely to hang you up when you are making a decision about what to buy or which job to take.

# The terrible wreck off Yap



The island of Yap, which you might get to by mistake if you were going from Manila to Guam and had a lousy compass, has a curious monetary history. Monetary means 'having to do with money' and is one of those dirty words we economists use all the time.

For centuries the Yaps have used stones for money. These are not little stones, to be carried in a pouch or pocket or strung on a cord like wampum. These are BIG stones, about the size of the stone figureheads on Easter Island, if you remember Aku-Aku.

The big stones stand on a slope in clear view of everybody, and a deal goes something like this: "You see that one there, third from the left in the front row? Well, nine-tenths of that is mine, and I'll give you one-tenth of it for that cow."

One time years ago a Yap got fed up with the Establishment, the price of extra wives, the local medical facilities, or the Yap climate — history doesn't record which. He was so fed up he

decided to leave forever.

This man owned one big stone, and he wasn't about to leave that behind so he hired some strong boys, uprooted it, and moved it down onto his outrigger. Then he and the stone took off for Babelthauap.

Unhappily, a sudden tropical storm blew up when he was only a few hundred yards from shore. The boat capsized. He was drowned. The big stone, as you might expect, sank.

Would that this were the end of the story, but it gets even sadder. The people of Yap, you see, were producing things at a fairly steady rate, and trading with each other at a fairly steady rate, and using the stones as a medium of exchange. And now they found that with one less stone in their money supply, their entire economy was upset. There was still the same volume of goods to be exchanged, but there was less money—one big stone less. So less money had to do the work of the previous supply, and as a result all prices went down.

The Yaps experienced disastrous deflation.

Where you could always count on getting 1/25th of a stone, a well-fed goat before, they weren't lucky to get 1/30th. It wasn't worth raising goats.

The situation got so serious that the elders of the island had a long, solemn discussion. Then they got into a canoe and paddled out to where the stone had been lost. The water was very clear, and they could see the stone lying there, 30 fathoms deep.

If they could see it, they could claim it. So the elders immediately declared that the sunken stone was still part of the money supply, just as if it was sitting up on the hill.

As soon as they did this, prices went right back to normal, and everybody on the island lived happily for many years. You would say forever after, until white traders showed up on the island eventually.

## WE HAVE TO TALK ABOUT MONEY

Enough of South Pacific diseases. We have to get to the point sometime. And as a matter of fact, it is about time I talk about a while about money. Here I have a series called Man's Money, and I've gone through for a year and a half or so. I haven't said yet what money is. Or why it is. Disgraceful!

Actually, there is some reasoning behind what I've said. Or perhaps just my laziness. The fact is, it's much easier to explain a lot of basic economic theory without saying anything about money, except that—everybody knows it's there.

Eventually, however, you have to get to the degree of sophistication where you have to be told the facts of economic life. Money is not just there in the economy; so we can measure everything—prices, wages, investments, rents—with a common yardstick, namely dollars and cents. Money is one of its important functions—it is a measure of value for goods, services, and so on—but there's more to it.

Money is not neutral. I'll say that again, because it's important: money is not neutral.

has effects on economic life, and you have heard of some of them: inflation and deflation, for example. This article, in fact, is going to be devoted to the big problem of money and its effect on the price level.

But first we have to be clear about What Money Is. Like, what is money? You'll get a straight, simple definition from me. Money is anything people will accept as money.

If you are in a bar, where you are well known, and the bartender trusts you, you can pay for the evening's drinks with a simple IOU, to be redeemed later. I'm really speaking about me, rather than you, and I know this is true because I do it. On the other hand, if you are in a strange bar without any credit cards, it is cash or else. So: there are times when a simple IOU takes the place of cash.

There are other times and places when you use a credit card, a bank cheque, or a retail account to pay for something you buy. In each case, if you didn't have the "credit" voucher, you would have had to pay cash.

Things weren't always this way.

I am not going to go into a long involved account of the evolution of money in the western world, but we should note that it started off with nothing but metals being regarded as money—copper, bronze, silver, gold, and a few others. This "money" fitted my definition of money: it was something people would accept, in exchange for goods or services. In time, metal money evolved into coinage—a certain weight of metal was stamped with the royal physiognomy, or some such device, as a guarantee it was worth so much. As national states grew up, each took control of the coinage in its realm ("coin of the realm"—get it?) and this kind of money, by now usually gold or silver, was used in internal and external trading.

We are now a lot more sophisticated, and use a lot more things for money. I doubt if anybody in this country today would question that a paper dollar was worth a dollar, but even a century ago you'd be a fool to take one, especially in the United States. And we have gone far beyond this. We regard bank cheques as just as good as paper money, provided we know or can check on the credit of the issuer of the cheque. We get credit from credit card clubs, gas and oil companies, and retail stores, enabling us to buy things, because they think we'll

have the money sometime to pay them back.

#### MONEY, CREDIT AND THE PRICE LEVEL

Now we get into a rather tricky little bit of business, here. I said that money did not just act neutrally, in an economy, as a simple medium of exchange and measure of value. It acts, in addition, to influence prices.

If there is too little money (and remember, I mean anything people will accept as money) for the trading needs of the economy, money will become more valuable in relation to everything else—because it's scarcer than it should be, see? Prices go down because people are eager to get money, and then like the Yaps we have deflation.

On the other hand, if there's too much money—if the supply of paper money increases too greatly, or any other important form of credit expands wildly—we get inflation. Prices go up. In an extreme case, money becomes almost worthless. In Germany just after the First World War they had runaway inflation; you could light a cigar with the equivalent of a \$1,000 bill, and it would cost you about 1¢.

The trouble with both deflation and inflation is they cause dislocation and hardship. Deflation makes businessmen's assets, like production plants, worth less, because the product they make sells for less. They tend to get very gloomy about this kind of thing, cut back on new investment, and whoops—let's all have a depression. Inflation, on the other hand, is very hard on anyone who has savings: the savings are suddenly worth much less. It has been said that the financial ruination of the German middle class by the inflation of the early 1920's paved the way for the rise of Hitler.

There is little doubt in anyone's mind that any nation should have as stable a currency as possible. This means the government must be sensible in the way it runs the money-printing presses and also, as we shall see in the next article, that it must have some control over the most important forms of credit.

All this can be summed up in a breezy little formula that was proposed years ago as the explanation of money's relationship to the price level. Today, no responsible monetary economist would own it, but it's still acceptable if you define it carefully enough. It goes like this:

$$MV = PT$$

Here M stands for the total amount of money by my definition that exists in the economy, V is the velocity of circulation of that money—how many times the average dollar bill changes hands in a day, and how much cheque-money is passed, in a given period of time—while P stands for the general price level (the weighted average of all prices, if you want to be technical) and T is the number of transactions, again over a certain length of time, in the economy.

Over short periods of time, we can disregard V and T in this formula. V depends largely on the financial habits of the community, and doesn't change quickly. T can't change too quickly in a short time, because just so many goods are being produced and it takes time to readjust production to changed demand.

We are left—though I will be the first to admit this is an extremely crude analysis—with  $M=P$ . In other words, if the quantity of money (including credit, how often must I say that) is increased, the price level is going to climb. And this, maids, is inflation.

Of course, you should, if the level of goods increases, increase the money supply. And usually the government does its best to increase money and credit then, but only then. How it does so you'll see if you wait for the next article—like the cat who ate cheese and waited for a mouse—with baited breath.

#### DISCUSSION IDEAS

There is more than \$122 in Bank of Canada notes circulating, right now, for every man, woman and child in Canada. If you don't have that much in your pocket, howcum?

Is bank credit more important or less important in our economy than cash money? The Bank of Canada notes in circulation total about \$2.5 billion. Total bank deposits measure the amount of bank credit available. Is this \$1 billion? \$2 billion? \$10 billion? \$20 billion? This would be hard to do, but it might be fun to talk about: How would you go about measuring the velocity of circulation of cash money in your town or neighborhood?

# How to tell off a Bank President



Once — and you can bet your baffle I'm not going to tell you how many years ago — I was friendly with the daughter of a Bank President. And she invited me, one afternoon, to a big cocktail party at her home.

This was in Montreal. My streetcar deposited me in front of a large building, set well back on verdant lawns from Westmount Avenue. It was a little smaller than the Royal York before they added the new wing.

When I had climbed the trail to the front door, it was opened by a butler I wanted to call Jeeves (I know Jeeves was a valet; don't interrupt the story) because he was so perfect. He was a rotund little man with a polished pate and pleasant face.

He bowed, took my hat, asked if he could announce me, and led me to where the action was.

Throughout the party he seemed to be everywhere, directing the waitresses who were serving the hors d'oeuvres, supervising the barmen, and so on. And when, later, I had a chance to speak to Helen the Bank President's daughter, I mentioned him. "Some class, this life you live," I said. "And the butler is the best part. He's strictly from the Arthur Treacher school."

"Butler?" She looked around puzzled, and saw him. "Oh, that's daddy. Every time I give a party he puts on his churchwarden suit and gives that silly performance."

'Though the names were

changed to protect the innocent it was a true story. It radically changed my ideas about bank presidents. Some of them aren't stuffy at all. At least, outside business hours they aren't. In the office, Jeeves was probably a very hard man to come up on men of this calibre. I'm saving it till the end.

## NEGOTIABILITY

Negotiability is a nice, rich word, and it is important to define it carefully because the concept is important in describing how our country's money system operates.

Something is negotiable if it is readily acceptable as cash.

We have been through the b.s. about how my IOU's are acceptable in very friendly bars. They aren't acceptable anywhere else that I know of. They aren't very negotiable.

Similarly, specific kinds of credit aren't highly negotiable. Remember when I was first married, and we were overflowing with wedding presents — silver candle-snuffers, silver picture frames (we had no pictures), just plain silver — knives, forks and spoons, and the trouble was we didn't have much to eat. The was when we found out we could turn in a lot of this silverware for a credit voucher, but it did us very little good: Birks has no grocery department.

The main types of negotiable money that operate in our economy are cash, and bank cheques. Money orders ("please send cheque or money order") and travellers cheques are also entirely negotiable, but are used only in small volume for specific purposes.

We have already seen, in the last article, that when we talk about "money" in relation to the price level, inflation, and so on, what we are really talking about is *money plus credit*.

We have also seen that *money plus credit*, if there is too little or too much, can play hob wi-

the price system. And we have been convinced (the devil with this "we" stuff: I mean I hope I have convinced you) that violent fluctuations in the price level, usually caused by fluctuations in the money-credit supply, are bad.

To keep a stable money-credit supply, the government must make sure it prints neither too much nor too little money, and it must also have some control over the most important sources of credit. This article is meant to explore (1) how the banks, the most important sources of negotiable credit, create that credit and (2) how the government attempts to regulate the amount of credit they create.

#### HOW BANKS MAKE MONEY

Obviously, if banks just kept your money in storage for you, they would be charging you a storage fee instead of paying you interest. They use your money to make more money, and in doing so they rely on the laws of chance.

Despite what they're called, the laws of chance are very reliable laws. (Wait until you study statistics.) They say that of all the people who have deposited money in a bank, only a very small proportion are going to want their money back on a given day. So most of the money can be lent out at interest. And this is how banks make money.

#### HOW BANKS MAKE CREDIT

Now, in making themselves money, or a profit, banks also create credit. We are about to see how they do it.

Suppose that banks decide that, for safety's sake, they should keep at least 20% of every deposit on hand; this means they can lend out the other 80%. Let's see what can happen:

Suppose (and how I wish it were true) I deposit \$1000 nice clean cash in Bank C \_\_\_\_\_ \$1000.00

Mr. Aberfoyle Bilbow, who has a nice way with a bank manager, gets a loan from Bank C of this new cash they have available (80% of \$1000) and deposits it for future use in Bank M \_\_\_\_\_ 800.00

Bank M now has new funds, so it is able to loan \$640 to Mr. Pix, who puts it in Bank NS \_\_\_\_\_ 640.00

Bank NS loans to Mr. Quick, who de-

posits his loan in Bank R \_\_\_\_\_ 512.00

And Bank R is now able to make a loan to J. Zerjof, who then deposits in Bank TD \_\_\_\_\_ 409.60

At this point I break off. My new \$1000 added to the banking system has so far provided \$3361.60 new credit in the system, and the amount will keep on going up. Your class mathematician, knowing this in a converging series, can tell you how high it will go, but I'm satisfied to stop with this illustration of the fact that the banking system can create credit which is a multiple of the money deposited in it.

#### THE PROBLEM OF CONTROL

Because bank credit is nearly as negotiable as cash, and because banks can create credit so readily without risk to their depositors (no Canadian chartered bank has failed to meet its obligations since 1923) it is important to the country that they regulate their credit operations with care. The Government takes extra precautions that they should. There is a Bank Act that regulates everything down to the quality of ink to be used in their ink-wells.

And over and above that, standing over the banks like a Big Brother (and I don't use capitals carelessly) is the Bank of Canada.

If I tried to explain all about the Bank of Canada, and how it is the fiscal agent of the government, and a lot more such garbage, we'd be here all day. So let me just say it was set up by the federal government, is owned by the federal government, and one of its most important functions is to regulate credit in Canada. It does this mainly by regulating the banks.

There are four main ways it is empowered to do this:

First, the Bank of Canada sets the legal reserve on bank deposits. If the Bank of Canada says you *must* hold onto at least 20% of every \$1 deposited with you, you hold it or else. In fact, Canadian banks are very conservative and secure, and the Bank of Canada almost never has to get nasty about the amount of reserves they are holding.

Second, the Bank of Canada sets "the bank rate". This is the rate at which the Bank will lend money to any chartered bank that needs it and can't get it anywhere else. Now, chartered banks very seldom have to come to the Bank of Canada

with their hats in their hands, but all the same, the Bank Rate has an influence. If the Bank of Canada puts the rate up, this means they think credit is getting a little bit too wild and free. The other banks are quick to get the message. The Bank Rate is usually regarded as the controlling rate for most other rates of interest in the country.

Third, the Bank of Canada buys and sells Treasury Bills. At this tender stage of your instruction, you should know nothing at all about Treasury Bills, and believe me, you won't know much when I'm through. Briefly, Treasury Bills are short-term government bonds. Some of them come due every week. Now, the Bank of Canada makes very careful surveys, every day, of the amount of money in the economy, and whether there is too much or too little, and it comes to the weekly sale of Treasury Bills prepared either to sell more new ones than the ones coming due, or to sell less than that number.

Let's just take the case where it sells less. In balance, it is buying Treasury Bills. This means it is putting nice, fresh, unused Bank of Canada notes into circulation, and increasing the cash money supply. Of course the Bank would only do this if it was convinced that the country's money supply was a bit short. If the money supply was long, on the other hand . . . oh, criminalities, you figure it out.

Fourth, the Bank of Canada can use what is politely known as moral suasion. "Moral suasion" means that the governor of the Bank of Canada gets the presidents of all the chartered banks together and tells them that he thinks they are handling the credit situation badly, and there is either too much credit or too little credit. And they'd better do something about it.

So now we have come to the end of this particular road. You have now learned how to tell off a bank president effectively.

Just get to be governor of the Bank of Canada.

#### DISCUSSION IDEAS

Are banks really in business to hold money safely, or to lend money? Chartered banks used to circulate their own bank notes, but this privilege is now reserved to the Bank of Canada. Anyone got ideas why?

Where in the world would a Zloty circulate as acceptable money?

Why don't Americans like \$2 bills?

## Rule of Rational Choice

"Always select the alternative where the benefits exceed the cost." An economist disregards any cost or benefit which cannot be measured in dollars. But humans cannot afford this. The principles of sound decisions are the same even when costs and benefits are vague satisfactions and dissatisfactions rather than units of money.

Discuss the following needs and wants in terms of the QUALITY of life, durability, beauty, comfort, and ease of use. List them in order of importance as goals that may be achieved by careful budgeting. Be sure to consider a balance between needs and wants:

Dryer (Clothes)	Motor Boat
Chest - spare room	Piano Lessons
Bed, Carpet - spare room	House
Filing Cabinet	TV Arts Course
Art Directors Course	Trip to attend concert or play
New Carpet - Dining Room	Swimming Lessons
Visit family - \$250	

## Decision Making Process

The teacher will have to decide whether this grid is useful to the class. The use of this grid can help to introduce discussion of how individual actions affect the whole society, and how decisions by elected government leaders affect individuals.

DECISION-MAKING PROCESS		INDIVIDUAL LEVEL		WHOLE SYSTEM LEVEL (Economic, Social, Political)	
Individual Economic Roles and Activities	Defining the problem: What needs to be decided?	Identify goals: what BENEFITS are expected? II	Analyze alternatives: what COSTS are involved? III	Effects of the whole system on individual actions IV	Effects of individual actions on the whole system V
(1) <i>Worker</i> Earning or receiving income	To become trained or not? What job to take? How long and hard to work?	TO PROVIDE GOODS OR PURCHASING POWER	TO EXPEND TIME OR EFFORT AND TO LOSE LEISURE	Scarcity of unskilled jobs suggests further education.	More people working raises GNP.
(2) <i>Consumer: User of Income</i> (a) Spending	What to buy? How much to buy? How much to spend? To buy or rent housing?	TO SATISFY WANTS AND TO ACQUIRE GOODS AND SERVICES	TO SACRIFICE OTHER GOODS AND SAVINGS	Expected inflation encourages buying now before prices rise.	Fall-off in spending for durables brings on recession.
(b) Borrowing	Whether to borrow? How much? For how long? Where? (Bank, finance company) At what interest rate?	TO CONSUME MORE NOW (Positive time preference)	TO CONSUME LESS LATER	Low interest rates encourage present borrowing.	Excessive borrowing sparks inflation.
(c) Saving	Whether to save? How much? What purchases to postpone? What future needs to be met?	TO HAVE FUTURE INCOME OR SECURITY OR TO FINANCE INVESTMENT (To consume more later)	TO CONSUME LESS NOW	Rising prosperity reduces need for a backlog of savings.	Inadequate saving pushes interest rates up.
(d) Investing	What is the rate of return? How safe? Should savings be kept liquid?	TO INCREASE FUTURE INCOME	TO SACRIFICE PRESENT USE OF CONTROL OF SAVINGS (Liquidity preference)	Falling stock market suggests "light investing" or keeping savings liquid.	Heavy investing helps economic growth.
(3) <i>Citizen</i> Influencing regulation and allocation of public vs. private goods	What party or men to vote for? To contribute to party? To run for office? What policies to support?	TO OBTAIN FOR SELF AND OTHERS THE BENEFITS OF PUBLIC GOODS AND IMPROVED ENVIRONMENT	TO PAY TAXES OR SUFFER INFLATION, AND ACCEPT SOME LOSS OF INDIVIDUAL CHOICE	Government restrictions on credit discourage home building.	Increased tax payments bring better roads and schools.

Diagram I-1 A PERSONAL ECONOMICS GRID



# 'I've Got a Plan"

"You've got a plan, have you? A plan to get us tied up and gagged while Thrush agents get away with the boodle and the beautiful lady."

"Don't complain, at least I had a plan. One of us had to..."

"All right, never mind that now. Here...."

"What?!"

"Unscrew the heel of my shoe."

"What!!"

"There's a knife in there, we might be able to cut these bonds."

"So you had a plan did you? And where was the knife once I got the heel off. What kind of an agent forgets he has a smoke bomb in his heel?"

"Well, how was I ... the knife is in my right heel! Here..."

"Oh no, I'm just going to sit here and wait for Thrush."



## **How to Decide if You Need a Plan**

1. Do you live easily within your means?
2. Does your money go on the things you really need and want?
3. Do you get full value for the money you spend?
4. Do you save regularly?
5. Does your financial position steadily increase from year to year?
6. Can you pay your bills?
7. Do you pay instalment payments on time?
8. What would you do in case of an emergency expense?
9. Are you preparing for your own future, and the future of those who depend on you?

If you answered "NO" to any one of these questions, you either need a plan or have to revise the one you are working on.

## **Let's Call a Spade a Spade**

All right. A money plan is a budget. Or vice versa.

It is a tool you put together to help you get the most out of spending your money.

It is not a penny-pincher's delight, although they certainly do spend a lot of time thinking about money. It is not a cramp in your life-style, in fact most people

who make them work say a budget is the only way to have a nice life-style.

It is not a miraculous means of getting quickly out of debt.

It is a way you can learn to live within your income, stop spending money unnecessarily, and get your money going on the things you want out of life.

## There Are Always Choices

There are two ways to make up a budget. You can figure out where your money went last year and then plan your spending this year according to facts.

Or....

You can make up a chart for the future by looking at your cancelled cheques and paid bills and unpaid bills and remembering as much as you can.

Either way, you're going to forget something the first time around, although we're going to give you a checklist to help out.

### There are As Many Ways to Budget As There Are People

Every bank has a booklet on budgeting. Every finance company. Every consumer's guide. EVERYBODY. And it only takes about three pages to tell the whole story. So maybe that gives you an idea of how useful and important a budget can be to you.

# How to Begin Your Plan

COMING SOON . . .

## A New Freedom

The freedom to make spending choices instead of being forced to put your money where the pressures are.

RIGHT NOW . . .

## A Special Feature

that's about as much fun as a diet. The fact is, it takes about six months to get used to budgeting and have it begin to yield satisfaction and results.

Did you skate easily the first time you tried?

## There's One in Every Crowd Section

All right, so you skated easily the first time you tried. Maybe budgeting will be just as easy for you, smart guy. For most of us it's going to be hard work for a few months, but we're going to do it and then it's going to be easy for us. So you'll get off easy. Rats!!

# Step 1. Finding Out What's Really Going On

Take a sheet of paper with fourteen columns on it. Blanks are enclosed with this kit. Put the name of the month at the top of each column.

Now, with the completed chart on page 18 as a guide, fill in as many of your expenses as you can for each month. An old pay slip will help, paid and unpaid bills, your cheque book, and your memory. Be as accurate as you can, because you are making a picture to help you see what is happening to your money.

Some things to watch out for:

1. Start your year with whatever month you are in now. When it comes time to revise, start with whichever month you are in then.
2. Remember to count only your take home pay -- the amount you get after payroll deductions.
3. 'Going Out' should include fees and equipment for sports you enjoy as well as the usual movies, food for parties, and the like.
4. For this first picture, show the ideal amounts first, then go back and adjust your figures until you get something realistic.

## **Tickle File of Expenditures**

Cash on Hand  
Unpaid Bills  
Laundry  
House maintenance and repairs  
Car, bicycle, etc. maintenance and repairs  
Clothing  
Furniture  
Medical expenses and/or insurance  
Dental expenses  
Insurance for car, furniture, life, etc.  
Books, newspaper, magazines  
Charitable donations, including church support  
Cable TV  
Birthdays, weddings, Christmas, other gifts  
Once-a-Year payments, such as retirement plans, taxes on  
property

	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL
Cash coming in													
Take home pay	\$ 833 -	833 -	833 -	833 -	833 -	833 -	833 -	833 -	833 -	833 -	833 -	833 -	\$ 9996 -
Anniversary gift													100 -
Birthday gift													25 -
<b>TOTAL</b>	<b>833 -</b>	<b>833 -</b>	<b>833 -</b>	<b>833 -</b>	<b>833 -</b>	<b>833 -</b>	<b>833 -</b>	<b>833 -</b>	<b>833 -</b>	<b>833 -</b>	<b>833 -</b>	<b>833 -</b>	<b>\$ 10121 -</b>
Cash going out													
Regular payments, regular amounts													
Rent	150 -	150 -	150 -	150 -	150 -	150 -	150 -	150 -	150 -	150 -	150 -	150 -	1800 +
Insurance													
Life	78 +		120 -										
Auto													
Homeowners													
Public liability													
Water tax													
Payments on car	3322	3322	3322	3322	3322	3322	3322	3322	3322	3322	3322	3322	398654
Regular payments, varying amounts													
Dept. stores	316 +	3240	2916	2624	2362	2126	2163	1947	2197	1877	1689	2189	28930
Habits	54 -	750	10 -	750	1050	1050	8 -	950	1050	12 -	15 +	11 -	166 -
Credit cards	35 +	31150	2835	2835	2550	2850	2760	2490	2780	2520	2720	2450	33440
Irregular payments													
Clothing	140 -	10 -	14 -	14 -	55 -	180 -	15 -	20 -	160 -	210 -	10 -	55 -	883
Resreation (going out)	75 -	10 -	25 +	15 -	15 -	20 -	20 -	20 -	95 +	20 -	25 -	170	510
Dental	25 -		60 -	45 -	55 -				90 -		50 -		325
Vacation				240 -		70 -	225 -				50		585
Chr.-stmas gifts	235 +												235
Cash payments													
Food	140 -	120 -	115 +	125 -	130 -	115 -	125 -	145 -	160 -	115 -	145 -	1550 -	
Household operation	35 -	20 -	25 -	25 -	30 -	20 -	30 -	35 -	30 -	35 -	30 -	340 -	
Allowances	68 -	68 -	68 -	68 -	68 -	68 -	68 -	68 -	68 -	68 -	68 -	816 -	
Transportation	25 -	25 -	30 -	25 -	2250	25 -	15 -	2250	30 -	25 -	25 -	295 -	
Miscellaneous	15 -	20 -	15 -	20 -	28 -	42 -	15 -	25 -	27 -	8 -	30 -	260 -	
<b>TOTAL</b>	<b>104122</b>	<b>63062</b>	<b>72273</b>	<b>81731</b>	<b>78234</b>	<b>89948</b>	<b>77045</b>	<b>62059</b>	<b>100149</b>	<b>83919</b>	<b>57831</b>	<b>93361</b>	<b>962734</b>
OVERSPENT													
(to be taken from savings)	-20822				-5648			-6849		-619		-10061	
UNDERSPEND													
(to be put into savings)	+120238	+11027	+1569	+7566	+6255	+1241		+25469					49366
SAVINGS ACCOUNT													
BALANCE (DEC.)	\$ 4232	24470	35497	37066	44632	38994	45239	66480	59631	59012	84481	74420	
	(\$ 250-54)												

NOTE: IF THE OUTGO EXCEEDS THE INCOME TOO MUCH,

1. DRASTICALLY CHANGING YOUR WAY OF LIVING, i.e. FINDING A CHEAPER PLACE TO LIVE.
2. GETTING A SECOND JOB.
3. BORROWING TO GET TRAINING FOR A BETTER PAYING JOB.

## Step 2. Take a Good Hard Look

You will notice that many of your expenses are 'fixed', that is, they would be hard to change. Food and rent are usually fixed expenses. However, you may ask yourself if you are eating as well as you should for the money you are spending. Would menu planning help? Could snacks like soft drinks and potato chips be replaced by something more nutritious?

Clothing is often an expense that gets out of hand because we buy on impulse. Looking at the chart you have made, you will see the effects of impulses on your hopes and dreams. You may be denying yourself things you want and need by spending more than you should on something else.

That is the basic reason for this chart. You can now see what is happening and decide whether this is the way you really want your life to go.

Once you have gone over all your expenses in this way, add everything up and see if you make enough money to pay for it.

If you don't, the probable reason will be instalment payments and charge accounts. It may be worthwhile to consider taking an extra job. Perhaps your hobby could be profitable.

Now, when things look blackest, is the time to consider what you wish you could be doing. It may be right for you to borrow money for training. The cost of a hobby in which you are interested should be built into your plan. Perhaps it is a vacation.

Also, you need an Emergency Fund. It should be put away to pay for unexpected expenses, like a creased fender, a bill you forgot about, or something you need. If you have to use part of your Emergency Fund, remember to replace it the very next month by cutting back on something else. Be ruthless.

Okay, you've just finished figuring out how to pay everybody else. Now, consider this -- a part of all you earn is yours to keep.

#### Pay Yourself First

This is the way you achieve your goals.

This is how you can go south next winter.

This is how you can have a stereo, car, sculpting course, new dress.

## Averages

Here are sample figures of how the average family spends money. When in doubt about whether you are denying yourself something you want because you may be spending too much on something else, check it against these figures. Remember, nobody really spends these amounts. They are averages.

SHELTER (renting or buying, including cost of operation)	28-35%
HOUSEHOLD REPAIRS AND UPKEEP	2%
FOOD	23-30%
CLOTHING	8-15%
TRANSPORTATION	10-12%
HEALTH AND PERSONAL CARE	5-8%
RECREATION	3-6%
INSURANCE	3-6%
SAVINGS	3-7%

## Step 3. Making a Plan

Now that you know when you need money, and how much you need, you can plan to have it on hand rather than scrambling to get hold of the money to pay a bill when it comes in. For instance, the example shows that January, June, September and October are months with high clothing bills. By adding up the whole 12 months and dividing by 12, you know how much you must put away each month to buy the clothing you need.

By saving the money ahead, instead of charging it to your future, you save interest charges on accounts and gain interest on your savings account. Your budget is actually giving you more dollars to spend.

Just out of interest, add up all the service charges (interest) on the bills you have around. That is money you could have spent on something for yourself.

A blank form is provided to work out your Action Plan.

1. First, set the time period to co-ordinate with your pay period. If you get paid once a month, make the time period monthly, and so on.
2. Now decide how you will pay the expenses. In the example, the rent is paid on the first of the month and the regular expenses are paid on the 15th.
3. Add up your cash expenses. In the example, \$160 is needed each pay period for food, allowances, bus fares, going out, and so on.

4. Work out your Special Account. These are the items you pay on a non-monthly basis, like insurance, clothing, dental bills, vacation, emergency fund, and savings. Add these up and divide by 12. The example shows that \$154.50 is put into the Special Account on the first of the month, and \$106.50 is put in on the 15th.

That's all. A glance at your Action Plan will tell you exactly what money to put where when you are paid. You may decide to use the services of a bank or credit union to keep these funds separate. Perhaps you will use a chequing account to pay your regular bills and a savings account to stockpile your Special Account until you need it.

#### Just One Thing More

If you wait until there is nothing preventing you from following a budget, like a large bill due next month, you will never get started. You may have to borrow a small sum and plan the payments into your budget for the next few months in order to get going.

This budget is based on advice from many sources, but the chart and the action plan are based on the system of the Royal Bank of Canada found in Your Money Matters. This series is described in the bibliography to the Credit Section.

# ACTION PLAN

**TIME PERIOD: TWICE A MONTH**

15TH

**INCOME**

\$416.50

30TH

<b>Expenses — Chequing Account</b>		<b>Expenses — Chequing Account</b>	
Car	\$35.00	Food	\$61.00
Utilities	14.00	Household	19.00
Credit Cards	28.00	Allowances	34.00
Dept. Stores	25.00	Transportation	12.50
<b>Normal Cash Expenses</b>		<b>Normal Cash Expenses</b>	
Food	\$65.00	Food	\$61.00
Household	15.00	Household	19.00
Allowances	34.00	Allowances	34.00
Transportation	12.50	Transportation	12.50
Miscellaneous	11.00	Miscellaneous	11.00
Recreation	21.25	Recreation	20.00
Cash left in pocket (?)	1.25	Cash left in pocket (?)	2.50
<b>Deposited to "Earmark" Account</b>		<b>Deposited to "Earmark" Account</b>	
All insurance	67.00	Clothing	\$74.00
Vacation	50.00	Dental	27.00
*Contingency	33.00	**Unallocated	5.50
**Unallocated	4.50		
<b>TOTAL</b>			<b>\$416.50</b>

\*Gifts, Water Tax, Emergency Fund

\*\*Extra for Christmas, unexpected expenses

# Tips on Making a Budget Work

1. Keep it simple.
2. Keep it flexible.
3. Keep it organized. Get empty files or shoe boxes or whatever it takes to set up a system you can use and live with.
4. Do not keep daily records. This is boring and leads to insanity.

"Unless we give constant attention to understanding clearly our personal values and priorities, our end product as far as money management is concerned may well be systematic, but not human."

(Consumer Education Expert)

5. Do be aware of what you want in your life. When you hear yourself saying "Gee I wish..." or "Why can't I..." get out your budget and revise until you can.
6. Do get everyone affected involved. Each family member could prepare a budget for the items over which they have control, i.e. children have car fare, school supplies, lunches, special fees, etc. Then the whole family sits down to work all the budgets into one family plan.
7. The temptation is to plan to use every dollar on something. Leave flexibility in your budget.
8. Plan the purchase of large items of clothing, but give yourself an allowance large enough to cover the odd small purchase. This avoids that stale feeling.

## Some Ways to Cut Down Spending on Needs and Get the Money to Back a Lovely Folly

Plan menus and stick to your shopping list. Impulse buying is out.

Use car pools where possible.

Watch sales for clothing, linens, towels, etc. Hold off purchases until the 'traditional' time for sales, as the January White Sales for sheets and towels.

Consider making some clothing, refashioning some you have.

For entertainment, take in free public events. It's not so much what you do, as the fact that you go out.

Comparison shop for products, services, credit ... everything.

Take care of the things you do buy.

## **The Most Important Thing to Remember About a Budget**

Don't be too sensible.

A budget only makes sense when it is a means to a richer, more rewarding life. It does not make sense to starve yourself today so you can starve yourself tomorrow. It does make sense to starve yourself today to get the money to back some fond notion you have.

Of course it is important to decide for yourself what is just a passing fancy and what you care about enough to try for. Every experience is enriching and therefore worthwhile working towards, whether it puts more money in your pocket or not.

# How to Tell if It's Working

After about six months, ask yourself these questions:

Have you saved anything?

Are you less in debt?

Are you on your way to accomplishing one 'dream'?



# Saving and Spending



# Getting Your Priorities Straight

It is important to know what you value, what your goals are; to identify your Needs and your Wants. The Bad Guy in this scenario is IMPULSE BUYING. He can only be thwarted by knowing what you want your money to do for you.

## Make Up a Model of Your Way of Life

Look at the Past:

What were the most rewarding purchases? \_\_\_\_\_

(Think in terms of utility, pleasure, durability.

Include recreation, trips, etc. in this.)

What were the least rewarding purchases? \_\_\_\_\_

What are your activities? \_\_\_\_\_

How do you live? (House, apartment, city, country, etc.)  
\_\_\_\_\_

What do you owe? \_\_\_\_\_

Now Decide:

Do you wish to continue living this way?

Can you continue this standard of living?

How would you prefer to live?

What activities would you prefer to have?

What part of that can be achieved?

How would you change your expenditures? (Less on clothing  
and transportation? More on shelter and food?)

## **Comparison Shopping**

We've discussed the value of shopping around for interest rates in the section on Credit. We saw how a few phone calls could result in a substantial saving on interest charges and 'extras', like loan insurance (some companies charge for this, some give it at no charge, etc.)

In the Credit Section projects were suggested which encouraged comparison shopping for products as well as services and loans. Such projects are applicable here.

Having spent considerable time earning money, and more time planning how to use it to your best advantage, it makes sense to put in a little more time and be sure you are buying appropriate quality and paying a fair price.

# Investing





## **What is an Investment?**

Whenever we deny ourselves present satisfaction by saving, and then use the thing saved in such a way that it will produce a net increase of benefits over the cost in the future, this is investment.

For instance:

Save a bushel of wheat.

Don't store it -- plant it.

Now it returns several bushels of wheat.

OR

Save time  
by giving up activities  
in order to earn money  
to buy a motorcycle then  
save more time than you  
used to earn the motorcycle  
in getting places on it.

### You Have Investments Now

You have a certain amount of money invested in clothing.

Many families have furniture and appliances.

You may have a bicycle, motorcycle, snowmobile or car.

All of your possessions represent an investment of time, energy and money.

## **Investing**

As impossible as it may seem today, after a few months of following a budget, you will begin to have a little money to invest.

Some will be the money you are saving a little at a time to pay a large bill, like insurance, at the end of the year.

Some will be for next year's vacation.

Some will be used far in the future, as the down payment on a house, or cash for your next car.

You have to keep this money somewhere. You might as well keep it where it can expand for you, but as you will need some of it within a few months, and some will be set aside for years, you probably won't keep it all in the same place.

Which is not exactly why some people say, "Don't keep all your eggs in one basket," though that is also an important cliche to consider, and one which is not so far-fetched as one may think.

## **Places to Keep Your Money Until You Want It**

### LIQUID CASH (Available when you want it)

#### Savings Account

- banks, trust companies, credit unions
- pay varying rates of interest

#### Canada Savings Bonds

- can be cashed in when you need them
- pay fixed rate of interest
- can be bought only at certain times

### SHORT TERM INVESTMENTS

#### Term Deposits

- banks, trust companies

- pay a slightly higher rate of interest than a savings account
- the money is tied up for a certain length of time, usually 30 days to 364 days. In limited circumstances the instrument may be cashed in before maturity, at a discount.

### Credit Unions

- members usually receive a dividend in addition to the interest on their savings

### LONG TERM INVESTMENTS

- this is a very complicated field and should be approached carefully with thorough research and the guidance of a trusted counsellor in the field.

### Trust Company Certificates

- also called Guaranteed Investment Certificates
- promises made by a trust company to pay a specified sum on a specified date, and to pay interest on the lump sum deposited by the investor in the meantime.
- purchased in multiples of \$100 or \$500
- usually pay a higher rate of interest than a savings account
- usually maturity date is 1 to 5 years from purchase
- interest is not automatically compounded
- certificate cannot be cashed before maturity
- can be used as collateral

### Annuities

You can place a sum of money on deposit, either by lump sum or payments  
this provides you with a regular income for all or part of the remainder of your life  
various types and options available  
check and compare rates with one or more insurance companies which offer annuities as they do vary.

- Immediate Annuity is useful for people about to retire who wish to set up a regular income at once, or when faced with a lump sum, as in the case of insurance payments.
- Deferred Annuity permits regular payments over a period of years.
- may reduce income taxes now if approved as a Registered Retirement Savings Plan. Reprints of articles discussing these plans are included under Reprints for Further Information.

#### Stocks and Bonds

- stocks mean ownership. You acquire an interest in the management, progress, assets and earnings of the company.
  - a. common stock pays dividends on earnings unless the profits are reinvested towards the company's growth or no profit is made.
  - b. preferred stock pays a stated return each year. This is paid before anything is paid on common stock, but you have no further participation in the profits.
- bonds mean lending. You are a lender to the company.
  - a. gives a stated rate of interest
  - b. gives maturity date when money is to be paid back.
  - c. specifies security pledged by company, usually part of its fixed assets (these last are mortgage bonds).
  - d. there may be provisions for a 'sinking fund' to assist in the repayment
- mutual funds look good, but care must be used in selection. Be sure you understand exactly how the mutual fund works, the charges you are paying, etc.

#### Insurance

- life insurance, endowment plans and other forms of saving plus 'protection' can be considered as an investment.
- advantages are safety, protection plus saving, ease of

investing with small amounts of money.

disadvantages are no refund if you drop out in the first few years.

be sure to check the difference between 'life', 'endowment', 'term', and 'whole life' insurance.

Term. Straight protection. No investment, no return.

Whole Life (or Ordinary Life). Protection plus a growing cash value. Pay until your death. It can be cancelled, in which case you would get back the cash value of the insurance, what you have put in less commissions, administration charges. For the first two years, your premiums go on expenses, after that it starts to build up a cash value.

Endowment. Protection plus a retirement income.

some further information is given in the booklet "What Everyone Should Know About Life Insurance" included with this kit.

take ample time to study this field before buying. You will be paying into an insurance policy for many years, so a few months prior study to really understand what is available would be appropriate..

#### RRSP's and RHOSP's

Registered Retirement Savings Plans and Registered Home Owner Savings Plans.

RRSP's defer tax. You save now, paying no tax on money you pay into the plan. When you retire you get the money plus interest. At that time you must declare it as disposable income and pay tax on it.

RHOSP's avoid tax if you buy a house. You can save up to \$10,000 tax free this way.

again a very complicated field to be approached with expert guidance and research.

## Land and Real Property, Business Ventures

- these are investments you would probably seek out and manage yourself.
- buying a house which you would rent to someone else.
- buying a second mortgage.
- there is an element of risk involved, but this is how you get to the position of having tax problems. No fortune is made by spending all of today's money on today's needs. The first, little investment is the hardest.

## **Where to Begin Looking for Help**

In starting to learn about any of the above types of investment, contact the government offices listed in the Help! portion of the Credit Section. They may be able to give you information, or at least to advise you where to look for impartial advice.

Paid counsellors would be lawyers, accountants, stock brokers.

Don't worry about calling around to discuss the matter. Each of these people will give you leads until you have enough information to be able to deal comfortably with the adviser you eventually select.

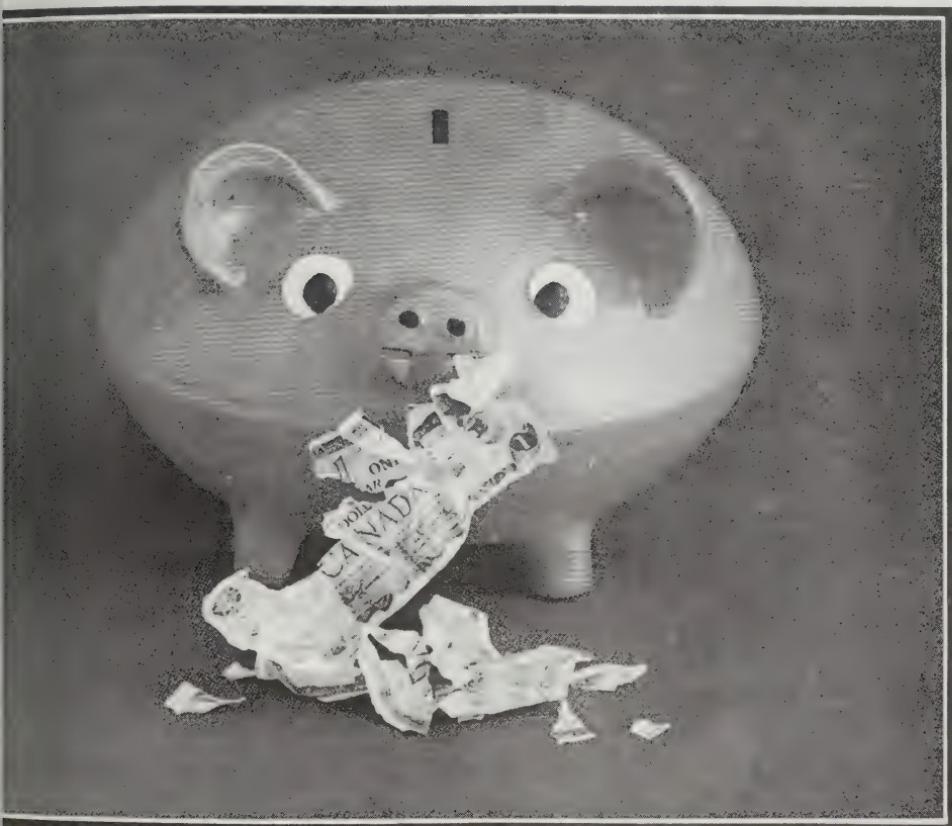
Remember: Constantly reassess your investments.

## **Is Saving for Suckers?**

This article is reprinted from Quest Magazine, May/June 1975. It contains valuable information on the use of savings and investment, and is included here as further resource material.

# \$ SAVING FOR SUCKERS?

ing off loans while you're saving doesn't make sense. Yet most Canadians do it. Quest  
ts at the commonest mistakes families make in money management—and comes up  
some suggestions. By Ray Magladry



you save too much money? Can you be too straight-  
and careful? Yes, you can, according to money  
experts.

The savings habit itself isn't under attack; it's what you  
with the saved money that counts.

Putting it away in a savings scheme to earn interest isn't  
necessarily the right strategy, if at the same time you are  
using money out of income each month for loan costs (a  
mortgage, car loan and the like).

Instead, asked a panel of money-managing advisers to  
examine the affairs of a typical middle-income family  
called the Smiths—a husband, wife and two children—  
they suggest improvements.

In conclusion, the panelists came to: the family is  
spending too much emphasis on savings, not enough on  
paying the burden of debt charges; the husband, despite  
a good salary and a habit of saving, isn't getting  
nearer his goal as fast as he could do.

And some do-and-don't tips for almost everyone, that

came out of the panel discussion:

- Don't build up savings without cutting debt costs.
- When you borrow, do it to make an investment so you can deduct interest charges from taxable income (you can't deduct if the loan is used to buy a personal-use item like a car).
- Try to split the ownership of property and assets, and of income, between husband and wife for tax-saving purposes.
- Don't hang onto old, worn-out investments hoping they will recover in value some day to your "break even" point. Get rid of them and put the money to work elsewhere.

The toughest question for the panel: Where does a middle-income person go for money-managing advice at a reasonable fee? The answer: There's no such source. You have to dig for yourself and, in the end, make your own decisions.

## Family Profile

Jim Smith is 38, earns \$20,000 a year from a salaried job as an engineer with a large corporation. His wife, Jill, 34, works as a supply teacher, earns an average of \$7,000 yearly. They have two children aged eight and five.

**Objective:** To build up an estate for retirement security; to achieve financial independence when the husband is 55 or 60.

• They own their own home jointly—bought two years ago for \$45,000. The market value today is \$65,000. They paid \$10,000 cash down payment, assumed a second mortgage of \$5,000 at 13 percent and a 25-year, 10 percent first mortgage for \$30,000. Monthly payment of principal and interest is \$258.81 on the first mortgage.

**Savings:** Jim accumulates money in a bank account, and has bought Canada Savings Bonds each autumn for four years. He has \$20,000 of savings bonds in his name. He also retains 200 shares of an equity mutual fund, bought for \$2,000 in 1968, current value \$1,200; he is holding the shares until he "breaks even" when he plans to sell them. He also holds 1,000 shares of a penny stock but cannot sell it since there is no market for it. His loss on the stock is 50 cents a share since the advent of the capital gains tax, but he cannot realize a tax loss by selling through a broker because of the lack of buyers.

**Earned Income:** Jim's monthly gross salary of \$1,666 is reduced to \$1,100 by deductions, including group life insurance, extended health care, disability insurance and government health care—the premium costs all split with his company—plus company pension plan contributions. He is eligible for the company's stock-option plan but has not participated. His wife uses her earnings primarily to buy luxuries, help finance holidays, and as a contribution to the household budget in general.

**Purchases:** Jim has bought a new personal-use car, putting down \$1,000 cash, plus trade-in, and financing \$2,500 through the auto dealer.



**The panel:** Clockwise from bottom left: William Scott, employee benefit compensation consultant, associated with Canadian Business Service, an counselling firm; Ian Croskell, manager, Royal Bank of Canada, 48 St. Cl. Toronto; Robert Yeaman, manager of financial services, Multiple Access Inc., Mills Rd., Don Mills, Ont. (Bob Yeaman specializes in mortgage and Magladry. Quest's money management writer).

**Quest:** How is the general approach and financial position of this couple? Is it balanced? Too conservative? Or just right?

**Scott:** This family's position isn't bad, considering the man's age and earnings. Just a re-structuring would be needed to improve it.

**Croskell:** I agree. It is somewhat conservative. There could be some changes to take advantage of his income since he is relatively free of debt—aside from the mortgages.

**Yeaman:** It's healthy but somewhat unbalanced, especially in that he holds a large amount in savings bonds while continuing to carry a major mortgage debt. Both savings and debt are going ahead, and he is not using his assets to get rid of his liabilities.

**Quest:** Should he be buying savings bonds at that rate in view of the mortgage and car loans?

**Scott:** Looking at his earnings of nearly \$1,800 a month and his savings, he should be able to pay off the second mortgage. And the auto loan is not good because these loans usually carry a rate of 18 percent or more. Further, borrowing to buy a personal item has a disadvantage; the debt cost isn't deductible for income tax purposes, as it would be if he had borrowed to make an investment.

**Croskell:** The car purchase could be financed through the bank. A loan for a consumer-type item, such as the car, incurs loan charges of 13 to 13½ percent at present. This is an unsecured loan. In this case, the man could probably obtain a secured bank loan at a lower cost, by putting up his savings bonds as collateral. Such a secured loan could be obtained at a

rate just above the going prime rate of a bank. When the prime for example is nine percent, an individual might negotiate a rate of 10 percent, by signing over other valuable assets as security. In this case, the man could put up his bonds as collateral. And he could retain ownership of the bonds, which yield 10 percent to maturity, and the charges on the car and the mortgage would come to about \$100 a month. I would be inclined to reduce the current debt charge.

**Yeaman:** I would sell, say, the savings bonds and use the money to reduce the man's overall charges.

**"Both savings and debts are going ahead—he should use his assets to get rid of his liabilities."**



decides to keep on saving, consider splitting the assets. Each taxpayer receives up to \$1,000 of tax. It would be wise for the wife receive interest, rather than have to go over the \$1,000 limit to pay income tax on



in get help  
point, at a bank.  
ally, you should  
fessional advice  
led problems."

This couple owns the house might be advisable to have them own it. That would other to own another. Each taxpayer may own a residence and avoid any tax on a sale; as a husband and wife may a property. Also, if one owns the house, the other tribute to a "registered ownership plan" and reduce taxes while building up a and for eventually buying a house. Of course, to split like that, the husband and love each other and figure it together.

What about saving for the education? This might be of benefit for this put the family allowance into a registered scholarship. Emotionally, it is a good idea. Government is picking up more of educational costs tends to reduce the appeal of saving for education. What should this man do with fund shares? Should he hope for a recovery? He should sell and write off which is a tax loss that can

be offset against other gains and income; he should roll over the proceeds into another plan or use the money to reduce his mortgage. This would be especially advisable if he holds shares in one of the large stock funds; they haven't been moving.

**Croskell:** I agree; he might accept the loss and sell them.

**Yeaman:** He should get out. The high rate of redemptions of mutual fund shares means that the funds have trouble with cash flow, and that hurts their ability to show a good performance.

**Quest:** This man holds a penny stock, as do thousands of Canadians. Many of them have big losses but can't even sell the stock and realize a loss which could be used to reduce tax on other gains or other income. Is there anything he can do about it?



*"Sell a hopeless penny stock to a friend for a dollar. Then you can claim a tax loss."*

**Scott:** Sell it to his girlfriend or colleague or neighbor for \$1. This will establish his capital loss which will be deductible against income, up to certain limits, and give him a small tax break.

**Quest:** On the job, this man has several deductions made from his income: the usual ones. Are they the right ones? Can he do anything about them?

**Scott:** They look like they are based on the old idea of 50-50 — half the cost by the employer, half by the employee. That's not the best way. The company should pick up all the tab for some benefits, the employee all the cost of others. The aim is to get the best package of benefits, from an after-tax angle, at the least cost. You don't achieve that when the costs are split 50-50 on each benefit.



*"If you go for advice, make sure you're getting it from an independent person—he may be trying to sell you something."*

Corporate managements need to be educated on this. Our man should look into it, and exert some influence on his management.

As far as the stock-option plan is concerned, he shouldn't rush into it. These have been disastrous. The employee receives an option on the stock at a fixed price; he then exercises the option at a time when the value is greater. This increase in price is taxed as income in that year. A "stock-purchase" plan is preferable. In this, the employee gets a loan with which to buy shares at once; he is not liable for an employee benefit that would be fully taxable; if the market value of the shares goes up, he pays tax if he sells on one-half the gain; if it goes down, he has a capital loss that can be deducted for tax purposes.

**Quest:** This couple lacks any real financial or money management training. Where can they obtain guidance or financial advice at a reasonable price?

**Croskell:** They can get help, up to a point, at a bank. But ideally, they should seek professional advice on detailed problems.

**Scott:** Many people are intimidated by banks. As far as professional counsellors are concerned, they derive their fee from a man's assets based on a percentage of them; if the assets aren't large, the counsellor won't be interested. And on income tax problems, a taxpayer is likely to get a variety of answers from phoning the Revenue Department, depending on whom he talks to.

If you do go to a counsellor of any kind, make sure he is objective and isn't selling a particular product.



*"The most common problem is lack of any financial plan. People just sort of drift into situations."*

**Yeaman:** I believe the average man can extract a good deal of help from the professionals and the official sources. He will have to work at it and keep asking questions. He will have to do his homework and know the real questions to ask so as to get useful answers.

**Croskell:** People who come into a bank branch are often uncomfortable, and some have their minds made up on a course of action; they won't listen to advice. Others don't want to admit they are in a financial mess and need help.

**Quest:** What are the common problems among people that you encounter? Where do they go wrong?

**Yeaman:** Most of them lack a financial plan for themselves.

**Scott:** They drift into situations without any design. I insist to my clients that they draw up a balance sheet of their own affairs and show their net worth, and establish a present budget. The plan must be kept up to date. You must keep changing it in changing conditions and changing circumstances.

**Croskell:** Budgeting is important. A man gets a raise in salary, he can upgrade his life style or maintain present one and save the difference. The latter course is the way to achieve savings or reduce debt.

**Scott:** Here's a happy note. Recently I talked to a group of high school students. They asked more pointed questions than I have heard from older people. The young people may be bringing more knowledge and sophistication to personal money management than the older people.

**Your finances**

# Income averaging annuities

**Income list**

You probably have not been waking up nights thinking about income averaging annuity contracts. Probably it would be an exaggeration to say you should be, but it is possible you are one of many who should be giving at least a little thought to the matter.

If you have income which qualifies for the income tax deduction provided by the purchase of such an annuity, you should not delay its purchase. Although the Income Tax Act provides a deduction for annual purchases made within 60 days after the end of a taxation year, there is a very good reason for not waiting until then. The rates of return, which really should be the major factor in determining from whom an averaging annuity is purchased, have a tendency to drop considerably as the purchasing deadline approaches. There is nothing to be gained by waiting,

life of the annuity, the advantage would be even more dramatic.

Like everything else fiscal, there are a few things you should know about averaging annuities and how they work for income tax purposes.

First, to qualify as a deductible annuity, the consideration paid for such a contract (the premium), must be a single lump sum payment. However, it is possible to make an arrangement under which amounts are paid into a trust, for example, deducted from wages of an athlete, and used later to make the lump sum purchase. The attraction of this arrangement is

Su, from the list, you have some income which qualifies. The next question is: Should You buy an Income Averaging Annuity Contract?

**High yield**

Unless you know of some investment which will yield about 15% to 20% — which is truly magnificent and hard to find — you should. That is the rate of return required on an investment of after-tax income to match the return realized by investing the pre-tax dollars in an averaging annuity. This is the result of tax deferral. It follows, then, if one's marginal tax rate were to decrease over the

probable didn't sell any);

that withholding tax can be reduced.

Next, receipts under the annuity must commence within 10 months of the purchase of the contract. The contract must provide for at least one equal annual payment annually. The annuity must be either for life, with or without a guaranteed term, or simply for a guaranteed term. However, any guaranteed term, either outright or attached to a life contract, cannot exceed 15 years nor extend beyond your 85th birthday. An annuity for life is just that. It ends when you do. On the other hand, a guaranteed term would continue, payable to your beneficiary.

should you die before the term is up. The amount deductible for income tax purposes, so you can have your cake and eat it, too. The best piece of advice anyone can be given in respect to the purchase of an averaging annuity is simple. Go shopping. Put aside all your institutional loyalties. If your insurance agent cannot or will not shop the market for you, find one who will.

There are tremendous differences in rates of return and, as a direct result, the benefit to you. Be ruthless in your choice. Ask the agent to tell you exactly how much you will get back from each company over the period chosen. Also determine your return should you have to cancel the contract for any reason. Then pick the best deal.

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Lyman MacInnis is a Chartered Accountant with Touche Ross & Co., Toronto, and writes a regular column for the Financial Times.

to purchase an averaging annuity is deductible for income tax purposes, so you can have your cake and eat it, too. The best piece of advice anyone can be given in respect to the purchase of an averaging contract if such a contract were purchased for the full amount. Don't let that confuse you. The company selling you the contract will gladly do the calculation for you and you do not, contrary to popular belief, pay any amount which is not deductible. You get a deduction for all the premium paid, you simply cannot pay a premium equal to all your qualifying income.

If for any reason your averaging annuity ceases to qualify as such (for example if the guaranteed term was extended outside the allowable limits) or if you dispose of it, you will be required to include the full fair market value of the contract at that time in your income.

Interest on money borrowed

## RRSP time again

# And remember 1976 is a leap year

**By Lyman MacInnis**

For the next few weeks we will be deluged with advertising in every form imaginable urging us to walk, run, crawl or fly to our friendly neighborhood financial institution and sink up to \$4,000 in a registered retirement savings plan (RRSP).

Contrary to the frequency suggested by most of the hype, you will probably not find yourself in financial ruin if you fail to purchase an RRSP, but you would likely be better off with one. The greater capital accumulation made possible by the investment of pre-tax dollars and the reinvestment of tax-free income make RRSPs attractive.

As you will be told often between now and Feb. 29, contributions to RRSPs are deductible for income tax purposes, up to specified limits; income or capital gains realized by an RRSP, while it is registered, are free of tax, and tax is payable

on the full amounts withdrawn

from the plan. There are a few details of the legislation with which you should be familiar:

First of all, do not let the fact the plan must be registered for tax purposes bother you. Any plan will look after details of registration for you. It does not matter that you have not had a plan registered before the end of 1975; you have until Feb. 29 to open a plan, make contributions to it and still obtain a deduction against 1975 income.

The greater capital accumulation made possible by the investment of pre-tax dollars and the reinvestment of tax-free income make RRSPs attractive.

As you will be told often between now and Feb. 29, contributions to RRSPs are deduc-

tion, of what would otherwise be nondeductible interest (on

your loan) now becomes deductible. However, remember that the RRSP itself cannot be used as collateral for a loan.

The amount you can contribute is not itself limited, but the amount which can be deducted is. There is an overall limitation of \$4,000 in any one

year for regular contributions. (Exceptions, or irregular contributions, are covered below.)

There is a further limitation of 20% of earned income in the year, the deductible amount being the lesser of the two, i.e., 20% of earned income or \$4,000.

At this point we should examine what constitutes earned income for this purpose. There is a specific definition in the Income Tax Act and if you feel which you intend to use for your RRSP contribution, you might borrow for the contribution instead.

If you intend to make a non-

and other pension plan de-

ductions.

- Net business income.

● Royalties if you are the author or inventor.

Note this other limitation:

- If you are entitled to any pension benefits under an em-

ployer's pension plan, the deductible contribution to an RRSP will be limited to the lesser of \$2,500 (not \$4,000) and 20% of your earned income. In addition, the lesser of those two amounts will be further

reduced by any contributions you made to the pension plan during the year.

At this point we should examine what constitutes earned income for this purpose. There

is a specific definition in the Income Tax Act and if you feel you are a borderline case, refer to the act. However, generally speaking, earned income is:

- Your employment income — after deductions for employment expenses and unem-

However, if you made con-

tributions to an RRSP between Jan. 1 and June 24, 1975, and you are a member of a pension plan as outlined, it is possible a lower tax bracket than you are not limited to \$2,500 when the time comes to withdraw funds from the plan.

Interest on money borrowed to make a contribution to a pension plan is not deductible.

As mentioned earlier, there are some irregular contributions which can be made to an RRSP which do not affect your \$2,500 (not \$4,000) and 20% limit.

Any amount received from a pension plan (leave \$1,000 out

— it is tax-free anyway) can be rolled into an RRSP with no tax effect.

Next week, some other aspects of RRSPs.

(subject to the same limitations as outlined above) to it. The

possible advantage here is the likelihood your spouse will be in home ownership savings plan, or received from a registered deferred profit sharing plan, or transfers direct from another RRSP, can be paid into an RRSP without tax effect and without disturbing the yearly

limits.

As mentioned, regular contribu-

tions made within 60 days after the end of the year are deductible. If you are an old RRSP pro and accustomed to

making a last minute contribu-

tion on March 1 each year, watch out this time: 1976 is a leap year. Accordingly, the 60-day limitation ends on Feb. 29.

Similarly, retiring allow-

ances, taxable amounts received from a registered

transfers direct from another RRSP, can be paid into an RRSP without tax effect and

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Lyman MacInnis is a Chartered Accountant with Touche Ross & Co., Toronto, and writes a regular column for the Financial Times.

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## Your finances

# RRSP savings impressive

**By Lyman MacInnis**

Last week we discussed some of the income tax considerations surrounding investments in Registered Retirement Savings Plans. This week we will look at some other aspects of RRSPs.

First, it is worth restating that the effect obtained by investing in an RRSP. Here is why:

- An old monetary maxim that says, "a tax deferred is a tax saved." Although that is not completely true, provided the period of deferral is long enough, it is more than \$450,000.

When you consider that a person in the 50% tax bracket would invest a total of only \$60,000 (the government would be his partner in that very \$4,000 invested would give rise to a tax refund of \$2,000), and RRSP is difficult to resist. Add the fact that interest on money borrowed to invest in an RRSP is deductible.

### Calculation

#### Home to roost

Do not forget, though, the chickens are going to come home to roost someday. Eventually the funds will have to be withdrawn from the RRSP, and when they are, they will be taxed. However, this is not even close to being a deterrent to investments in an RRSP. Here is why:

- An old monetary maxim that says, "a tax deferred is a tax saved." Although that is not completely true, provided the period of deferral is long enough, it is more than \$450,000.

Initially, there is the gain accrued from investing funds which would otherwise have gone to pay income taxes — \$4,000 as against \$2,000 for the 50% taxpayer. Over a sufficient period of time, this alone might cover most of the ultimate tax bite.

• Then, there is the insidious impact of inflation. This is one area in which inflation can be made to work for you. There is little doubt you will be paying those future taxes with dollars whose purchasing power will be considerably diminished. This should make it easier to pay the tax.

71st birthday. Accordingly, you will likely be able to time the withdrawal of funds to coincide with your retirement, at which time your marginal tax rate will likely be considerably lower than either the top rate or the rate applicable when you made your contributions and earned the tax-sheltered income in the plan.

Many people are under the misconception that once funds are invested in an RRSP the only way to retrieve them is by collapsing the plan and paying income tax on the full amount. Nothing could be further from the truth.

Even if you were to pay the top rate of tax on the full \$450,000 when you draw it out, you would still be around \$70,000 better off with the RRSP than without it.

And you probably will not pay tax at the top rate when the money is withdrawn.

An RRSP can be continued, even without annual contributions, until the beneficiary's

It is true that any amounts withdrawn from an RRSP are taxable in full. However, there are two ways to obtain money from a plan without paying tax

on the full value of the funds in the plan all at once, which would be the case if the plan's assets were withdrawn in a lump sum.

The first method appropriate in circumstances where you need some of the plan's funds but wish to continue with an RRSP program is as follows:

Suppose you have \$25,000 in your RRSP and need \$10,000 (before tax) for some emergency. You first register a new

RRSP. Then you transfer \$15,000 out of your old plan into the new one. This can be done without any tax and without affecting your yearly contribution limits.

The old plan, with a balance of \$10,000 in it, can now be collapsed and the funds withdrawn. \$10,000 would be included in income.

The second method of extracting funds without paying tax on the full value of the plan is to use all the assets in the plan to buy an annuity. This method is particularly appropriate when the funds are required for retirement.

Although the full amount of annuity payments will be taxed as ordinary income when received, an additional tax deferral is achieved because the proceeds will be brought into income over the years.

Amounts received out of an

RRSP upon death are taxed in full as ordinary income. However, this effect, too, can be mitigated. If it is provided that upon your death the assets in the RRSP pass to your spouse, he or she can transfer any such assets into an existing or new plan of his or her own. Alternatively, an Income Averaging Annuity Contract can be purchased in respect to such assets. In either case, an additional tax deferral is achieved. Of course the transfer to another RRSP results in an indefinite deferral, while the purchase of an income averaging annuity contract (AAC) is not so attractive because amounts must commence to be reported in income within 10 months (Times, Jan. 19).

Lyman MacInnis is a Chartered Accountant with Touche Ross & Co., Toronto, and writes a regular column for the Financial Times.

## Your finances

# RRSP selection demands care

By Lyman MacInnis

Having decided to invest in a Registered Retirement Savings Plan, harried taxpayers are faced with two even more difficult decisions — what type of plan to choose and with which type of institution.

Banks, trust companies and insurance companies all offer RRSPs ranging from those with a guaranteed return to an equity investment arrangement which could result in a substantial disappearance of your assets if poor investment decisions are made.

Taxpayers tend to be blinded by the tax deduction aspect of RRSP contributions. They do not place enough emphasis on the potential return, and often just as important, the administration costs of the plan. Many taxpayers leave opening a plan until the last minute and drop in to the first trust company they pass which has a sign in the window. There they choose their plan and there they continue to invest year after year.

Others might invest with a particular insurance company, choosing the institution. This is a never-ending debate over whether to place one's RRSP with an insurance company, or a trust company or a bank. The debate usually tends to rely on past performances of various funds. It is the future that counts, and although past performance is often the only measure, it should be restricted to recent past performance.

This column cannot tell you which institution or which plan is the best. The reason is simple. The answers do not exist. If they did, there would be one institution offering one type of plan. But here is some food for thought to help you choose the right deal.

## Correction

A sentence was omitted from last week's column by Lyman MacInnis. The omission mistakenly left the impression that only a spouse could use proceeds from a registered retirement savings plan to purchase an income averaging annuity contract. The final sentence should have read:

Although a spouse can make a transfer to another RSP, any beneficiary can use such proceeds for the purchase of an IAAC.

First, some observations on choosing the institution.

This is an ever-ending debate over whether to place one's RRSP with an insurance company, or a trust company or a bank. The debate usually tends to rely on past performances of various funds. It is the future that counts, and although past performance is often the only measure, it should be restricted to recent past performance.

This column cannot tell you which institution or which plan is the best. The reason is simple. The answers do not exist. If they did, there would be one institution offering one type of plan. But here is some food for thought to help you choose the right deal.

ministration costs are very high, particularly in the short run.

Next, some observations on the various types of plans. The very secure guaranteed fund is probably the best choice for the investor who wishes a degree of protection against erosion of value will fluctuate with the market and in accordance with the ability of the fund manager to make sound investment decisions. This type of plan offers the greatest growth potential. However, it also offers the possibility of being wiped out.

An equity fund is a particularly poor vehicle during the years just before retirement. Its value may be way down at the time you need the money.

The fixed income fund which invests in mortgages, bonds etc., is an excellent middle ground between the risky equity and the very secure guaranteed fund. The fixed income fund is

probably the best choice for the investor who wishes a degree of protection against erosion of value will fluctuate with the market and in accordance with the ability of the fund manager to make sound investment decisions. This type of plan offers the greatest growth potential. However, it also offers the possibility of being wiped out.

An equity fund is a particularly poor vehicle during the years just before retirement. Its value may be way down at the time you need the money.

percentage points less than the going first mortgage rate, and the funds are locked in for fairly significant periods of time (say, five years), certainty has its cost.

Of course, it is possible to spread your investments among any and all of the various types of plan. There is also the self-administered plan.

Under this arrangement, a trust company acts as trustee and administrator, but you make all the investment decisions. The trust company simply follows your instructions ensuring a reasonable return.

The most important question in making your final choice, next to the type of plan is selected, is the cost? Never mind fancy names like set-up fees, administration costs, transaction levies, and the like. The key questions to which answers should be demanded in no uncertain terms are:

• How much will it cost to administer this arrangement, a set-up?

• How much will it cost each year to maintain?

• How much will it cost to take the money out?

That last one is really important. Imagine your chagrin if

you go for a no initial or ad-

ditional cost deal, only to

find it will cost you an arm and leg to get out of the plan.

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Lyman MacInnis is a Chartered Accountant with Touche Ross & Co., Toronto, and writes a regular column for the Financial Times.

Financial Times of Canada

## Your finances

# RHOSPs wide open to abuse

**By Lyman MacInnis**

**Remember John Turner?** Then perhaps you will also recall it was he who introduced a new vehicle for tax deferred home ownership savings plan (RHOSP).

Any individual 18 years of age or over who does not own real property in Canada nor an interest in any, may contribute up to \$1,000 per year, subject to a lifetime contribution limit of \$10,000, and obtain a rather magnificent tax break.

To be eligible to open a RHOSP, a taxpayer must not have an interest in any real property in Canada any part of which is used as a dwelling place by himself or any other individual. For example, ownership of an apartment building would exclude eligibility, whereas ownership of a commercial building would not. Likewise an interest in a partnership which owns a dwelling place would make each partner ineligible.

The way the RHOSP works is this. Allowable annual contributions are deductible for income tax purposes. Income earned in the RHOSP is exempt from tax.

### One only

It should be noted that an individual is entitled to only one RHOSP in his lifetime. Acquisition of real property, any part of which is used as a dwelling place by the taxpayer or any other individual, would preclude the deduction of any contributions for any year in which such property is owned. Also, interest on money borrowed to invest in a RHOSP is not deductible.

Withdrawals from a RHOSP cannot be made over time but must be a lump sum of all money accumulated in the fund. If the proceeds are used to purchase a home in the year, or within 60 days after the end of the year, no tax is payable on the proceeds. In addition, the proceeds may be used without attracting tax to acquire indoor furnishings, appliances, curtains and drapes (but not art work) for the home you or your spouse own and occupy.

A RHOSP until age 65 the value of the funds in the plan will have increased to \$269,808, again assuming an 8% rate of interest compounded annually. The effect, of course, is that he has sheltered from tax approximately \$260,000 of interest income.

If he now decides to collapse his RHOSP, he can further spread the tax effect over twelve years by transferring the funds to a registered retirement savings plan and receive the proceeds by way of an annuity.

Alternatively, he has the option of purchasing the plan and purchase a home or alternatively to pay tax on the funds.

The fact is he may buy a home and decide not to use the funds accumulated in his RHOSP to finance his purchase as there is no requirement that he do so.

He can just leave his money there.

If he leaves his money in the

student has part-time employment income of \$2,000 this would prevent his parent from claiming a deduction for him. If, on the other hand, the student pays \$668 into a RHOSP his net income would be reduced to \$1,332 allowing the parent to claim the full personal exemption. This deduction would save the 50% marginal rate taxpayer \$323 in taxes.

The RHOSP concept was allegedly introduced to assist young married couples to purchase a home in today's inflated economy. As it is presently drafted, the legislation is wide open for abuse. Consider a senior executive living in a company-owned house who does not own an interest in any real estate in Canada. He is eligible to contribute \$1,000 a year to a RHOSP for 10 years and accu-

mulate tax-free dollars on his contribution. After 10 years he can use the \$10,000 plus interest sitting in the fund, to purchase a house or cottage and no tax will be payable on the money in the RHOSP. Or, he can go the RHPSP or IAAC route.

Another example is the hus-

band whose wife owns the family home. He can establish a RHOSP and use the funds accumulated in it to purchase the house from his wife the same house he already lives in. If she has income she could then make contributions to her own RHOSP for 10 years and then buy the house back. So, for 20 years they shelter some of their investment income and get \$20,000 of unwarranted tax deduction.

### Tax break

For example, if a university

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# Projects

projects



# Projects

1. The class could conduct a survey of the people in school, 13-19 years old, regarding their income and expenditures. They could break it down according to the sample below.

## Weekly Income

<u>Female</u>		<u>Male</u>
Clothes	00.00	00.00
Entertainment	00.00	00.00
Food (snacks lunches)	00.00	00.00
Cosmetics and		
Personal Grooming	00.00	00.00
Records	00.00	00.00
Gas & Oil	00.00	00.00
Magazines	00.00	00.00
Transportation	00.00	00.00
Hobbies	00.00	00.00
Other	00.00	00.00
	_____	_____
Total	00.00	00.00

Once the survey is complete, the class can discuss the results, noting outstanding differences, reasons for differences, etc.

2. The sample budgets given deal with family income and expenses. The class could do their personal budgets for their own use. These budgets need not be discussed in detail, or shown to anyone. This could be a useful exercise in helping the students understand that they do have an income and how they are using it.

3. Have each student fill in the following questionnaire for themselves. They need not show it to anyone.

What items did I buy recently? \_\_\_\_\_

(List all purchases) \_\_\_\_\_

Was this a planned or an impulse decision? \_\_\_\_\_

Did I price competitive brands? \_\_\_\_\_

Who was with me? \_\_\_\_\_

How did I feel about the purchase afterwards? \_\_\_\_\_

What ads did I see for it? \_\_\_\_\_

Where did I buy it? \_\_\_\_\_

Did I check out the product with an independent source of information? \_\_\_\_\_

Did I judge it a need or a want? \_\_\_\_\_

Then, ask each student to record every purchase they make over a two week period. They should note the information contained in the questionnaire each time.

At the end of the personal survey period, have the students examine their notes to identify their buying pattern. They need not discuss details, but useful discussion can occur regarding patterns. What to look for:

How much are impulses part of your pattern?

How much do friends or family influence you by their presence?

What influences worked on you (ads, friends, etc.)

Did you stop to think before buying?

How wise did the choice seem after you lived with it for a while?

Most people will find the comparison between what they think they do and what they actually do revealing.

4. The reprinted article "Debt called the hangover" gives an all-out method for getting out of debt. Considering the cost of borrowing money and the use to which the interest could be put, an all-out method might be worthwhile. The class could discuss the results of such a method. Perhaps a sample budget could be made up in which a low-income family would pay off \$3,000 in debts at top speed. Then the class could discuss the possibilities now open to the family with a large part of their income at their disposal.
5. The class could break up into groups and elect three officials each. A Leader, who will co-ordinate the study and discussions, making sure that each member takes an active part. A Recorder, who will make notes of information gathered, decisions reached, etc. And a Reporter, who will report on the project to the class. They can then pick one of the following subjects to research.
  - a. Survey and analyze local, provincial and federal organizations which serve to protect the consumer.
  - b. Analyze what local industry has done to damage or improve air, water or land.
  - c. Visit a mining company, oil company, or other user of natural resources to discover where risk capital is being used for discovery and development.
  - d. Discuss with a lawyer the effects of the consumer oriented laws, such as the Business Practices Act, on the lives of individuals and the function of business.
  - e. Interview an executive of a corporation, a partner in a small firm, and the proprietor of a small business to learn how the money was raised to begin these businesses.
  - f. Visit a lawyer, an accountant, a credit counselling agency and an insurance representative to learn how each of these can assist a person or family in managing personal finances.

# Debt called the hangover of too much credit; counsellor recommends the axe treatment

Someone once said that credit is like drinking. It's great while you're into the sauce but the hangover is deadly.

Willard Wright, a consumer studies instructor at Niagara College in Welland, agrees. "Getting into debt is fun. Every night is New Year's Eve. So obviously it hurts to get out."

But most people don't know what a fantastic feeling it is to pay off all their bills and owe nothing to no one, he said. If they did, they might be more willing to follow the system he has devised to do just that.

Mr. Wright, 36, an economist, practices what he preaches. He uses credit cards, but only as convenience—his accounts are paid off in full every month. Even when he buys a car, he saves up the money and pays for it in cash.

"I work hard for my money and I don't want to throw it away in interest," he said. Here's how he brings home the point to his classes:

If you're \$4,000 in debt, \$500 in interest not sound like much. But when you figure out what it could buy—two men's suits, a woman's leather coat, a small TV—that's when it really starts to hurt.

His system doesn't involve just playing around with nickels and dimes. It's more like chopping with an axe. But if followed faithfully, he swears, it nearly always works.

First, the husband and wife have to sit down and divide all their expenses into two columns. There are the fixed expenses, things like rent or mortgage, heating, transportation, insurance, telephone and utilities. And then there are the variable expenses, things like food, clothing, entertainment, drugs and dental bills.

It's in the second column—the variable expenses—that the cuts have to be made. This is where the money comes from to pay off the outstanding loans.

The first knife goes into grocery spending. At least 20 per cent could be trimmed away by watching specials, shopping carefully and by gardening, canning, preserving, baking and cooking.

The next cut is entertainment costs and they're reduced to zero by having friends over and finding things to do for free. "If you can't do this, then you don't really want to get out of debt," Mr. Wright said. Clothing costs are cut to zero and so are dental and drug bills, at least the ones that can be postponed. And that's what he means by the axe treatment.

Payments are reduced accord-

ingly, so the \$200 is always there.

Finally comes the unbelievably lovely moment when the family can say, "My God, we've done it. We don't owe anything to anyone."

When that moment arrives and everyone has worked so hard to get there, Mr. Wright says they're probably hooked on saving and won't go back into debt the same way.

It makes more sense to pay for everything with cash, he said, giving another example he uses to wake up his classes:

Consider the guy who buys a TV set on time and his next-door neighbor who buys the same set for cash, he tells them. The first guy just has the TV set, but the second guy has three things—the set, the money he didn't pay in interest on the loan, and the money the bank paid him in interest for what he left in his savings account.

The only exception to the system is mortgages, Mr. Wright said. In most cases, it doesn't really help to pay off the mortgage. Often it's better to use the extra money in your savings account for a retirement or savings vehicle of some kind.

He has strong opinions on where to go for financial ser-

"Put if you go to a trust company for a certificate, the money is locked up till the end of the term and the extra interest they give compared to a bank is the width of a hummingbird's eyebrow. So I'd go to a bank because you can get your money out any time you want it."

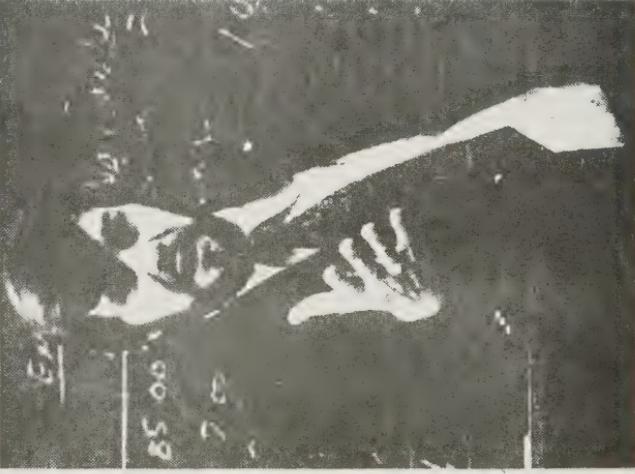
But he doesn't advise going to a bank for a Registered Retirement Savings Plan (RRSP) or a Registered Home Ownership Savings Plan (RHOSP). He feels trust companies usually have a better selection of these plans, since managing long-term funds is their main business.

And he doesn't recommend going to an insurance company for an RRSP or RHOSP. Customers have to pay a commission to the salesmen in the first year that adds up to lots of money in lost compounded interest, he said. Insurance agents tend to downplay the commission—or say that it's comparable to an administrative fee at a trust company—but Mr. Wright disagreed. He said insurance company yields on the plans are lower.

The strong opinions are a trademark of his consumer studies philosophy. Now in his third year of teaching the subject to daytime and evening classes, Mr. Wright calls it "a black belt course in consum-

erism. There are some rewards but there are also frustrations.

One woman bought a used car 1½ years after she finished



Willard Wright teaches at Niagara College in Welland.

"Say your relative dies in Alberta and you want to get paid off, then the money for those payments plus the extra saved up goes to pay off the second highest loan, and so on—until all the loans are paid off.

In the meantime, if anyone expects clothing or food bills to daytime and evening classes. Mr. Wright advises that the loans with the highest interest rates. One woman bought a used car 1½ years after she finished

6. Doris and Jake have five young children. They have hopes of buying a larger home one day, and know that they will need money for their childrens' education. Every Thursday, Doris makes out a grocery list. Then she studies all the supermarket advertisements. If she is careful, she can find most of the items on her list on special somewhere. Some weeks she may drop into four different supermarkets to do her shopping. She spends the whole afternoon shopping.

Jake says if she'd just find the store with the lowest average prices, take advantage of their specials and do most of her shopping there, she would be better off.

Doris says that she is actually accomplishing two purposes at once. With five young children, she needs a break every so often. Paying a babysitter to set herself free one afternoon every week means she gets the outing she needs. Also, as she is shopping carefully for the food, she isn't using cash they cannot afford to amuse herself on these afternoons.

The class could discuss this case for ten or fifteen minutes, deciding whether they agree with Doris or with Jake, and giving their reasons.

7. The class could put together what they consider an average budget, suggesting the salary, expenses and hopes of a middle-income family in their area.



# Laws



# Laws

Here are some laws which assist Ontario consumers:

## The Residential Premises Rent Review Act

- limits rent increases.
- the booklet "Rent Review" contains details and answers some of the 'most often asked' questions. This booklet is included with this kit.
- Rent Review Offices are located throughout the Province of Ontario and may be located by contacting one of the government offices listed under Help! Credit Section.

## The Landlord and Tenant Act

- regulates the conduct of lease agreements and maintenance of rented properties.
- a copy of this Act is available from Ontario Consumer, Queens Park, Ontario.

## The Ontario Securities Act

- deals with the sale of securities.
- administered by the Ontario Securities Commission, Queens Park, Ontario.

## Other Provincial Acts which apply:

The Consumer Protection Act              The Business Practices Act  
Motor Vehicle Dealers Act

## Other Federal Laws:

- The Federal Labelling and Packaging Act
- requires labels showing the proper care of garments.
  - other regulations concern listing ingredients, etc.

The Federal Food and Drug Act

# Glossary

Discretionary income. Income a person can spend any way he or she wants. After fixed expenses are deducted, you know your Discretionary Income.

Gross Pay. Total amount of money earned before deductions.

Inflation. A general rise in prices with the result that the money you have will buy less -- SO -- the value of the money is lowered.

Take Home Pay. Money you take home after income taxes, health insurance and other payroll deductions are made.

# Bibliography

Newsletter - Canadian Foundation for Economic Education publishes Rapport, with articles on money, inflation, etc. Also, a list of books and games regarding economics called Perspectives. Gives assessments and opinions. Level: high school and community college.  
Write: Canadian Foundation for Economic Education, 155 University Avenue, Toronto, Ontario.

## TIME PERIOD: TWICE A MONTH

15TH

30TH

INCOME

\$

<b>Expenses — Chequing Account</b>		<b>Expenses — Chequing Account</b>		\$
Car	\$			
Utilities			Rent \$	\$
Credit Cards				
Dept. Stores				
<b>Normal Cash Expenses</b>		<b>Normal Cash Expenses</b>		
Food	\$	Food	\$	
Household		Household		
Allowances		Allowances		\$
Transportation		Transportation		
Miscellaneous	\$	Miscellaneous		
Recreation		Recreation		
Cash left in pocket (?)		Cash left in pocket (?)		
<b>Deposited to "Earmark" Account</b>		<b>Deposited to "Earmark" Account</b>		
All insurance		Clothing	\$	
Vacation		Dental		\$
Contingency		Unallocated		
Unallocated				
<b>TOTAL</b>	\$			\$

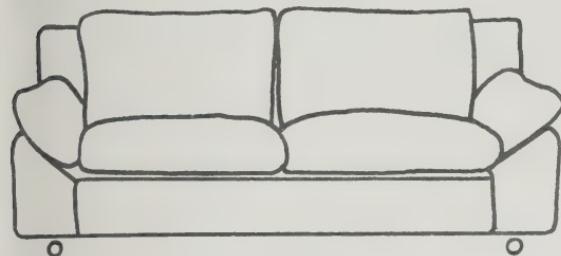


# Buying A Sofa

Cost \$500.00

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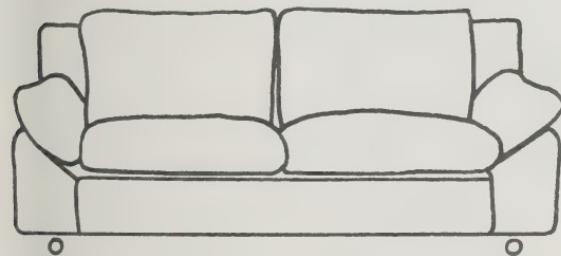
Cash



Bank Loan

12 months at  
about 13% interest  
per year.

For the interest of about  
\$37.00 you could buy a  
lamp

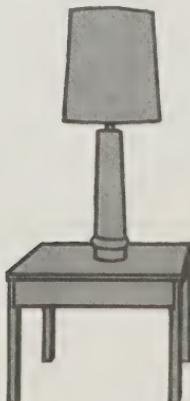
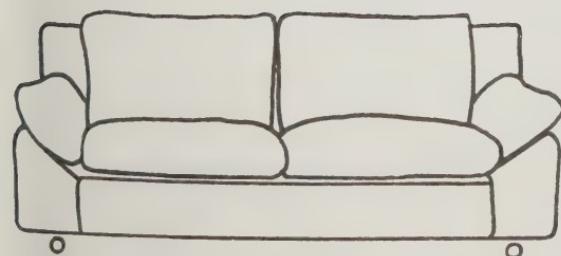


Instalment Loan

12 months at about  
21% interest per year

For the interest of about  
\$65.00 you could buy a  
lamp

and a table to put it on.





# Buying A Sofa

## Discussion on the Decision-Making Process

1. If you have an old sofa, you could decide to keep it until you save the money for the new one.
2. If you don't have any sofa, you could accelerate your saving to have the whole \$500.00 in six months, and sit on cushions in the meantime.
3. You could save for six months and then buy -- with a down payment of half the purchase price.
4. Rental of a sofa would more than balance off the interest you would pay by buying now, paying later.
5. There may be many other ways to solve this problem.



	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL
Cash coming in													
TOTAL													
Cash going out													
Regular payments, regular amounts													
Regular payments, varying amounts													
Irregular payments													
Cash payments													
TOTAL													
OVERSPENT													
UNDERSPEND													
SAVINGS ACCOUNT													
BALANCE (DEC.)													

- NOTE: IF THE OUTGO EXCEEDS THE INCOME TOO MUCH,  
YOU WILL HAVE TO CONSIDER:  
 1. DRASTICALLY CHANGING YOUR WAY OF LIVING, i.e. FINDING A CHEAPER PLACE TO LIVE.  
 2. GETTING A SECOND JOB.  
 3. BORROWING TO GET TRAINING FOR A BETTER PAYING JOB.

1. DRASTICALLY CHANGING YOUR WAY OF LIVING,  
 2. GETTING A SECOND JOB.  
 3. BORROWING TO GET TRAINING FOR A BETTER PAYING JOB.



**Tips you can use!**



# How to Write a Complaint Letter

- be factual
- don't be apologetic
- don't threaten
- keep your sense of humour and you'll get the reader on your side
- include the following information:
  - a. Your name, address and telephone number.
  - b. The name of the offending company and its address.
  - c. Make of product, model year if applicable, and warranty number if it is a warranty complaint.
  - d. A brief description of what took place on what dates, and what was done to solve the problem.
  - e. A brief account of the cost to you including money, time lost from work, cabs, buses, and getting repairs or assistance elsewhere.
  - f. Copies of work orders, letters, receipts, or other written material between yourself and the company. Never send originals -- get them copied.
  - g. Briefly describe the conduct of the person you dealt with. It is not necessary to be too explicit -- the term "offensive language" will cover a multitude of sins.  
Include how the complaint was received, their willingness to talk things over, their efforts to resolve the problem.
  - h. Address your complaint to the top. Find out the name by calling the company and asking.
  - i. Send copies to government agencies or consumer groups which might be able to help. List them under the heading: "Copies to" at the bottom of your letter.  
See "Help!"

j. It is important that your letter goes to the right person. Take some time to find out who that person is, and take the time to write it well.

# The Speaker in the Classroom

## Checklist for the Teacher

### Picking a Speaker

1. Pick a model. 'This person represents the banking industry'.
2. Pick someone who knows his or her subject, is willing to be flexible, likes young people and wants to help.

### Preparing

3. Try to avoid having a speaker talk to the whole school at once. Such large numbers make a real exchange of information almost impossible.
4. Survey the class. If possible, have them prepare five or six questions they want answered.
5. Be prepared to give the speaker, verbally or in short notes, a lesson plan which details exactly the material you would like covered.
6. Be careful to give the speaker enough notice to allow preparation.
7. Some notes for the speaker are enclosed. You may wish to give the speaker a copy when you first speak to him or her.
8. Call the speaker within a few days after your initial talk. He or she will have had time to think things over, read your notes and make some mental plans. A short discussion with you now can clarify the speaker's thoughts and get them moving.

# Notes for the Speaker

## When You Are Talking With The Teacher

1. Find out who you will be talking to -- a class or the whole school? Where? The home room or a gym? It is the difference between a talk by you and a discussion with them.
2. Find out what the teacher doesn't know about the subject. You are needed to provide new materials as well as a new face.
3. Find out what the class and the teacher really want to know.

## Preparing

4. Limit yourself to 15 minutes of input. This can be spread out with questions mixed in if the group is small enough.
5. Booklets or anything you can hand out serve to focus attention on your subject, remind them once you've gone.
6. If the students have been studying the topic, they will be prepared with questions for you. Then you can deal more specifically with the topic.  
If they have not been studying the topic, give an overview.
7. Remember that a speech is listened to as music is heard -- it flows, certain parts stand out, but there is not time to stop and run over in your mind the last few bars. The player has moved on! The waltz has become a rag, and you must stay with him or stop listening altogether.  
Because of this, give only the highlights of your subject. This is especially important if you are speaking to a large group, because it is difficult to

get a 'give and take' going. With a single class your questions will bring out answers and further questions, until the class has covered far more detail than you would have thought possible.

## Arrive Ahead Of Time

### When You Are Faced With The Class

#### Ways of Getting Started

8. Find out what they've been doing so far. Ask them questions, not just on the subject matter but on their approach to the subject in school.  
Don't give out a lot of material at this point. Try to tune in to where they are -- find out what they want to hear.
9. Alternately, you might explain who you are, where you are from. Give little facts about yourself, like "Yes, I am married. I'm \_\_\_\_ years old." This fits you into a framework, makes you a person and satisfied their curiosity about you. Now they can relax and pay attention to the subject on which you have come to speak.

#### Ways to Keep On

10. Don't be too established in what you are going to say. No written text. If anything, a few notes on large points to cover.
11. If you have a gimmick, now is the time to spring it on them. It will draw their eyes away from you and focus the conversation on something they can see and feel and relate to.  
(A speaker on environment control brings a bag of garbage to some classes. At this point, he spills it onto the floor. This kicks off discussion on the things people throw away, and eventually gets back to his point.)

12. Continue using questions to keep them with you, part of the discussion. Use questions to introduce new angles: "Now what do you suppose would happen if .... Does anyone know where to find .... How would you go about ...." Get to new levels of thought by building on questions and answers. They know the answer -- you just have to learn to ask the right question!
13. Keep it activity oriented if possible. In class groups, skits are possible.  
(Same environment control speaker: "I'm a Beckers manager and you are a customer who doesn't want to buy non-returnable bottles. But I only stock non-returnables. What would you do?" Ask for volunteers. Repeat with one or two. Don't be afraid to stop the skit and replace the volunteer if it isn't working. Pretty soon they're suggesting other approaches. This gets them interested and gives them something they can do -- a way they can act on the knowledge you have brought to them.)
14. Give them a new skill.  
How to make an ecology system, how to talk to a Beckers manager, how to open a bank account, how to open a safe, how to complain when they see unfair practices, etc.
15. Audio visuals are often useful. Keep films short - 12 to 15 minutes. Slide shows are useful, but they must be relevant. You could liven them up by encouraging discussion during the viewing. Turn off the sound and start asking questions related to the material on the slides.
16. A good ratio: 50/50 informative talk and questions.

## Other Skits and Questions for Ideas

A Banker. "I am walking into a bank. There's a security guard. The teller is over there. That's where you draw out money. The information people are behind another counter. In the back is the vault, etc." Describing the scene graphically.

"Okay. I'm a teller and you want to open an account."

"How much money do you think is really kept in a bank?"

Tell them about bank robberies. This leads to safety precautions. How quickly could the police get there?

Would they want to be a bank manager?

Describe what people do in a bank.

Show a bank book and discuss why they should have a bank account.

How banks control the economy of the country.

Interest rates.

Legislation regarding banking.

How to take out a loan.

What is credit?

Car Dealer. "I'm the salesman and you want to buy a new car. What's the first thing you want to know?"

Lawyer. "A man comes into the office and wants to sue his neighbour for libel. What do you do?"

Speaker on Business Practices. "I'm the clerk and I've sold you this wristwatch. Now it's not working. What do you do?"

"I'm a door-to-door salesman, and I'm going to sell you something. Just open the door when I knock on it."

### Sources of Free Pamphlets

The following list gives names and addresses of agencies that have indicated their willingness to provide free pamphlets as resource materials. Contact them directly for copies of the pamphlets.

Bank of Montreal  
First Canadian Place  
Toronto, Ontario M5X 1A1

- Banking Forms

Better Business Bureau  
85 Richmond Street West  
Suite 900  
Toronto, Ontario M5H 2E7

- Series - 16 books

Canadian Association of Broadcasters  
1240 Bay Street  
Suite 302  
Toronto, Ontario M5R 2A7

- Broadcast Code of Advertising for Children  
- Canadian Code of Advertising Standards  
- Advertising Today  
- Code of Consumer Advertising  
- Practices for Non Prescription Medicines

Canadian Bankers Association  
Box 282  
Toronto Dominion Centre  
Toronto, Ontario M5K 1K2

- Your Money & Credit Today and Tomorrow  
- Banking for your Club

Canadian Consumer Loan Association  
21 St. Clair Avenue East  
Toronto, Ontario M4T 1L8

- It's Your Money  
- Canadian Consumer Credit Fact Book - 1974

Canadian Foundation for Economic Education  
155 University Avenue  
Toronto, Ontario M5H 3B6

- Perspectives  
- Rapport

Canadian Imperial Bank of Commerce  
Head Office  
Commerce Court  
Toronto, Ontario M5L 1A2

- Focus on Your Finances Series

Canadian Life Insurance Association  
15 Floor, 44 King Street West  
Toronto, Ontario M5H 1E9

- Hot Line: 1-800-261-8663  
- How to Live Happily with a Price on your Head  
- Sharpen your Pencil  
- You & your Group  
- After the Gold Watch  
- That's Life  
- Sunshine Sketches  
Schedule: Lively Woman TB Series  
How to Compare (Life Policies)

Canadian Securities Institute  
Box 225  
Commerce Court South  
Toronto, Ontario M5L 1E8

- Investment Terms & Definitions

Canadian Standards Association  
178 Rexdale Blvd.  
Rexdale, Ontario M9W 1R3

- The Consumer - Newsletter

Central Mortgage & Housing  
650 Lawrence Avenue West  
Toronto, Ontario M5A 1B2

- Housing for Rural People
- Loans for New Homes
- Loans for Existing Housing
- Mobile Homes
- Home Improvement Loans
- Neighbourhood Improvement Loans
- If You have Ever Dreamed of a Home of Your Own
- List of Offices

Consumer Corporate Affairs  
480 University Avenue  
Toronto, Ontario M5G 1V2

- Helping You Get a Fair Deal
- Who We Are and What We Do

The Consumer Interest  
University of Guelph  
Department of Family Studies  
Guelph, Ontario N1G 2W1

- Newsletter of current books

Thomas Cook Travel  
Toronto Dominion Centre  
Toronto, Ontario  
M5K 1K8

- Specimen Cheques & Sleeves
- Readers Digest Report
- Foreign Currency - Swiss, Japanese, Hong Kong

Credit Grantors Association of Canada  
60 Bloor Street West  
Toronto, Ontario M4W 1A2

- How to Use Consumer Credit Wisely

Eaton's  
Consumer & Corporate Affairs  
19th Floor, 1 Dundas Street W.  
Toronto, Ontario M5B 1CB

What You Should Know About  
Buying .....(Series)

Great West Life  
111 Richmond Street West  
Toronto, Ontario M5H 2G4

- What Everyone Should Know About Life Insurance

Insurance Bureau of Canada  
170 University Avenue  
Toronto, Ontario M5H 3B3

- A Young Driver's Guide to Car Insurance
- Drinking, Drugs and Driving
- Car Insurance Explained
- Home Insurance Explained
- Facts of the General Insurance Industry of Canada

Milk Marketing Board

50 Maitland Street  
Toronto, Ontario M4Y 1C7

- Teaching Nutrition Effectively (Program)
- The New 7-Day Milk Diet
- The Milk Diet Plan

Ministry of National Health & Welfare

Ottawa, Ontario  
K1A 0K9

- Disability Benefits under the Canada Pension Plan

Ontario Co-op Development Association

Suite 8  
14 Nelson Street West  
Brampton, Ontario L6X 1B6

- Co-ops are People Series

Ontario Food Council

1200 Bay Street  
9th Floor  
Toronto, Ontario M5R 2A7

- Guide to Good Eating
- Frozen Foods

Ontario Real Estate Association

99 Duncan Mill Road  
Don Mills, Ontario M3B 1Z2

- A Career in Real Estate - Is it for You?

Ontario Ministry of the Attorney General

Publications Centre  
3B-7 Macdonald Block  
Queen's Park  
Toronto, Ontario M7A 1N8

- Your Rights & Obligations Under the Landlord and Tenant Act

Ontario Ministry of Consumer & Commercial Relations

Ontario Consumer  
Queen's Park  
Toronto, Ontario  
M7A 2H6

- Interaction
- Booklets
- Organizing a Co-op in Ontario
- Ontario Consumer Newsletter
- Rent Review

Ontario Ministry of Health

7th Floor, 7 Overlea Blvd.  
Toronto, Ontario M4H 1A8

- The Ontario Health Insurance Plan - General Guide

Ontario Ministry of Housing

Community Renewal Branch  
Queen's Park  
Toronto, Ontario M7A 1N3

- Ontario Home Renewal Program

Royal Bank of Canada

20 King Street West  
Toronto, Ontario M5H 1C4

- Comparison Chart -- Sending Money out of the Country

Scotiabank

44 King Street West  
Toronto, Ontario M5H 1A2

- Banking forms

Toronto Dominion Bank  
P.O. Box 1  
Toronto Dominion Centre  
Toronto, Ontario

- Code of Advertising Practice

Toronto Stock Exchange  
234 Bay Street  
Toronto, Ontario M5J 1R1

- List of publications and reports
- Ticker tape and all that

Unemployment Insurance Commission  
and Manpower Canada

890 Yonge Street  
Toronto, Ontario  
M4W 2J2

- Rights and Obligations
- Illness
- Maternity
- Students

Unity Bank of Canada  
85 Richmond Street West  
Toronto, Ontario M5H 2C9

- Banking Forms



# Consumer Education Resource Materials

## Part 4: Housing



Ministry of  
Consumer and  
Commercial  
Relations



## Introduction

This Consumer Studies Kit is a direct result of discussions with educators in Northwestern Ontario. Its intention is to help you equip students to live full and useful lives, using their earnings, their credit and the marketplace as tools with which to achieve their aims.

Any thought, however brief, that students can be stimulated into giving to personal values, planning how to achieve an aim or develop a talent, or where and how to spend their money will be helpful later. The education you are providing can help reduce the need for additional consumer protection laws. Any legislation is a restriction of personal freedom, yet it is often necessary to reinforce the balance in the marketplace.

In preparing this material, we have not tried to dwell on the different kinds of rip-offs that perennially appear, nor do we wish to help send a shrewd, fearful, 'me first' graduating class into the marketplace. Rather, we hope they will see themselves as competent persons who can function effectively. And the marketplace, let it be seen as 'a rich and friendly resource, with a few danger spots around the edges.'

That is a quote from Fred T. Wilhelms, Ph.D., editor of *The Consumer Educator*. He has called Consumer Studies one of the humanities and suggests:

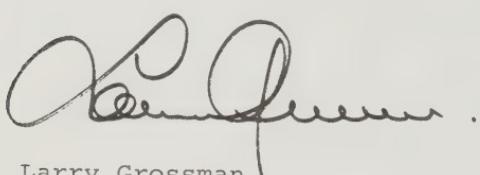
"While you are building your students' foundation of competence in buymanship, you can very naturally and with relative ease build also a superstructure of terribly important knowledge, insights, and attitudes. I have divided this superstructure into three areas:

1. You can help your students toward a rich image of the personal and family life they want to work toward, the values they mean to live by, and the commitments they will not forsake.
2. You can help your students toward a working familiarity with their economic system as it really is, along with developed values and commitments as to what they want to see it be and do.

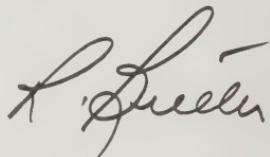
3. You can help your students toward a working acquaintanceship with the processes of government as they really work and with some of the major governmental institutions; even more important, you can help them work through to the beginnings of a social philosophy, a set of values and commitments they will push for as citizens."

As you can see, we feel that Consumer Studies is probably one of the most worthwhile courses you will teach. Putting this kit together has been an enriching and rewarding experience for all of us at the Ministry. Many of us met many of you. We found lively, interested people, working to keep courses up to date. We hope this Kit will be an 'encyclopedia of information' from which you can pull the facts and idea-starters you may need.

We are working now to develop information on other topics, but we need your input. Please keep in touch. Let us know how you are using this Kit and what you might like to see added so that it can be a useful tool for your work.



Larry Grossman  
Minister



R. J. Butler  
Deputy Minister

Please address any correspondence to:

Consumer Information Centre  
Communications Services Branch  
Ministry of Consumer and  
Commercial Relations  
555 Yonge Street  
Toronto, Ontario  
M7A 2H6

## How to Use This Kit

1. This section is broken into sub-sections such as Sources, Costs, Guidelines and Laws.
2. There is an index at the beginning for easy reference.
3. Projects and Topics for Discussion are included and are designed to provide situations students can encounter and work their way through.
4. Where applicable, blank forms have been included for use in class. You may wish to copy them for distribution or use them as overheads.
5. Extras such as audio visuals, graphs and tables have been noted at the end of the Index.
6. Where possible, lists of books have been included which may help students see topics from new angles.
7. The illustrations on most coloured dividers may be used as overheads.
8. The looseleaf style is used to let you pull information from several sections when planning a lesson.
9. Information is given in point form so you can skim it quickly, use pages for notes when teaching, use them as overheads, or copy them for passing to students.
10. Only the facts have been provided so that you and your students can draw your own conclusions.

The Kit has been divided into 5 parts: Credit, Transportation, Money, Housing and Insurance. Copies of these other parts are available by writing to:

Consumer Information Centre  
Communications Services Branch  
Ministry of Consumer and  
Commercial Relations  
555 Yonge Street  
Toronto, Ontario  
M7A 2H6



Teachers may order limited class sets of the brochures published by the Ontario Ministry of Consumer and Commercial Relations - please check below. You may note government publications required in the spaces provided. We will forward your request to the office involved.

Books listed in the Reference and Bibliography sections must be ordered from the publishers, whose names are provided. A nearby library may have many of these books available, or may be willing to order them for your use.

MINISTRY PAMPHLETS

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# The Decision



### Should I Rent or Should I Buy?

Most people float through the first few working years without achieving much of anything with their money. They are too involved in coping with the new excitement of working, the freedom to enjoy a social life and the added responsibilities of rent, food and regular expenses. It takes a few years before the dust settles and they can realize, "I haven't really done much with the money that has been coming in, the time I've spent and so on."

In other words, the situation can very quickly get out of hand. If they have a chance to decide for themselves how they want to live, that chance is now.

The material in this section is designed so that you can take several teaching approaches. You can discuss in depth the financial details of mortgages; you can investigate types of housing; you can discuss the pros and cons of renting versus buying; and you can help your students to see that the choice of where they live affects how they live.



# Renting



# Renting / Leasing

## When Signing a Lease

- read the lease before you sign it.
- do not accept a clause making you responsible for all repairs. You should pay only for damage you cause.
- be sure you can sublet if necessary. Know what penalty you will pay for this privilege; what procedures you must follow; who does the actual subletting.
- don't sign a lease with any space left blank.
- don't sign on the dotted line. Put your signature immediately below the last clause.
- get a receipt for any deposit you leave.

## **Points to Remember When Signing a Lease**

- when you sign a lease you take on a legal responsibility to pay the rent agreed upon, to keep the apartment or home in reasonably good condition and to fulfill the other terms of your agreement.
- only the person whose name is on the lease is legally responsible. If two or more people agree to share a place to live, all names should be on the lease.
- if several people move into a two-bedroom apartment but only one of them is named on the lease, the other three could (and sometimes do) move out in a few months, leaving the person who signed to cope with a much higher rent than expected.
- landlords are often reluctant to have several names on a lease. In this case the tenants should have some form of binding agreement among themselves. A standard lease agreement signed among themselves may be suitable. Legal advice would be helpful.

## **Landlord's Responsibilities**

- In Ontario each municipality sets the minimum standards for fire safety, heating, sanitation and health.
- check with your local housing inspection department if you think your accommodations are not up to par. They will also advise you if you have problems.

## **Tenant's Responsibilities**

- to take reasonable care of the dwelling.
- to pay the rent on time.
- to be considerate of other tenants.

## **Rent Review**

- The Residential Premises Rent Review Act regulates the amount a landlord may increase the rent on a dwelling. See "The Law", this section.



# Buying and Selling



Buying and Selling



# Buying Procedure

- you may purchase through a real estate agent or look for a private sale.
- see a lawyer before signing anything. You will have to pay a lawyer to close the deal anyway so you might as well have legal advice all the way through.
- do not use the seller's lawyer. Get your own.
- the lawyer's responsibility is to check title, register the deed of purchase and any mortgages, have a proper survey done and check for any encroachments or restrictions on the property.
- have the house appraised for any major defects. Sometimes the real estate agent offers to have this done and charges you a fee. Find out if this fee has to be paid by you whether you buy the house or not.
- do not accept verbal assurances or agreements. Get everything in writing on the offer to purchase.
- have the offer written 'subject to inspection'. Then personally inspect the house and yard prior to taking possession to be sure the buyer has left everything as agreed upon; be sure that no major damage has been done.
- arrange financing with the advice of your lawyer.
- close.

# Selling Procedure

- call in three brokers and have them give you estimates of the price of the house.
- call in an independent appraiser for a written estimate which is recognized by a court of law. This costs about \$150 though the price is negotiable. This cost should then be added to the selling price of your property.
- call in the broker of your choice.
- broker prepares a listing.
- check this listing with your solicitor.
- sign and keep one copy of the listing agreement.
- close with the buyer.

## Finding a Solicitor

- if you do not personally know a solicitor, contact the Law Society of Upper Canada by phone or mail. Ask them to recommend three solicitors experienced in the field you need (i.e., real estate).
- select one of these.
- the solicitor is there to interpret for you and to provide the facts so that you can make the decision.
- when buying do not sign anything or pay out any money until you have seen a solicitor.
- when selling, do not sign a listing agreement, accept any offer or accept any money until you have seen your solicitor.
- be sure to involve your solicitor in arranging the details of the financing.

## Finding a Real Estate Broker

- real estate brokers or agents represent the seller of the property, from whom they usually obtain their commissions.
- in Ontario brokers' commissions are negotiable, usually 5% on private dwellings.
- in Ontario real estate salesmen and brokers must be registered. To qualify, a salesman must successfully complete a 150-hour course at a community college and have a broker willing to stand as sponsor. Ontario law requires successful completion of five courses before a candidate may apply for registration as a broker.
- this is a position of trust. The broker is required by law to present all offers to the seller.
- The Real Estate and Business Brokers Act requires that any money left as a deposit with a broker must be kept in a trust account, separate from general accounts.
- when buying, speak to several agents until you find someone knowledgeable about financing arrangements to enable discussion of what you can afford.

# The Paperwork of Buying/Selling

## The Broker's Listing

Open listing - lets people know that your house is for sale. You can go ahead and try to sell it privately. You sign nothing.

Exclusive listing - one broker has the exclusive permission to sell your property.

Multiple listing service (MLS) - details and pictures of your house are circulated among members of a real estate board. All of these brokers may now try to sell your house. Commission is slightly higher.

Pitfalls of signing a broker's listing before checking with your solicitor:

- you hire a broker to get you an offer for your house, not to sell it. If the broker finds a buyer at your price and the sale doesn't go through, the broker can sue you for commission.
- the listing agreement binds you to permit the broker to sell your house. It does not bind the broker to anything -- neither to advertise and promote it nor to sell it. While most brokers will be interested in promoting your house, it is important to realize that you are the only person agreeing to anything when you sign a listing agreement.
- check the expiry date of the listing. A broker may insert a longer listing time than you may want. The usual MLS listing is two months, while an exclusive listing is one month.

## The Offer to Purchase

- once you have decided to buy property, you enter into a contract, also called the offer to purchase or agreement of purchase and sale.
- it must contain the following information:
  1. names of the parties to the agreement.
  2. description of the property to be sold.
  3. agreed price.
  4. date upon which the final sale is to take place.
  5. any matters regarding the title which are to be clarified or which now affect it.
  6. a consideration (down payment) which may be anything but which is usually 10% of the sale price.
- be sure the offer is conditional on your getting the financing you want or other conditions such as the sale of your own house.

Pitfalls - Many of the clauses in the offer may seem obscure or unimportant to a lay person. A solicitor can prevent serious problems by studying and explaining the clauses so that you know exactly what you are buying. Your real estate broker and your solicitor can be very helpful in every step of your dealings. You pay for their advice so you should take advantage of it.

## The Mortgage

- a mortgage is a written document (conveyance) by which land and buildings may be given by a debtor (mortgagor) to a lender (mortgagee) as security for the repayment of money loaned to the debtor for the purchase of the property.
- the mortgage becomes null and void when the debt is repaid.
- be sure to become familiar with all the terms and conditions of the mortgage and the obligations it places upon you. Ask your lawyer to explain anything you don't understand. It is important to know whether you can pay off the mortgage at any time without penalty or how great the penalty would be.

## The Deed

- the form prescribed by law for transferring a property title from one party to another is called a deed.
- you receive the deed upon closing.
- the deed transfers all titles of the seller or grantor to you.
- it must contain certain information to be entered into the land records of the community where the property is located:
  1. names of seller (grantor) and buyer (grantee).
  2. consideration involved (money).
  3. description of the land, including boundary lines and survey markers if any, reference to a plat (a land map showing building lots), and a lot number.
  4. any exceptions or reservations such as easements, restrictions, and so forth.
  5. words of conveyance which state that the grantor "conveys and warrants" the property to the grantee.
  6. the execution of the deed, which includes the proper signatures and the proper notarization. This should be performed by your lawyer.

## Easements

- this is the right of someone other than the owner to enjoy certain privileges pertaining to the land.
- if you purchase property with a reservation such as an attached easement you are granting a right to someone to use a portion of your land for his or her purposes. This right is irrevocable.
- easements are always recorded in land records.
- the most common easements are "rights of way" which permit someone to cross your land by means of a defined road or to place a high tension power line or an underground high pressure gas line across your land. It could also be a bridle path granted to the local hunt club.
- easements are important because they may affect your plans for using the land or future expansion.
- if you wish to grant an individual rights to use your land without permanently giving up your rights, you may grant a "license" which can be revoked on short notice.
- if your property is bounded by a body of water, check on your legal rights and the rights of others regarding access to the water. There could be fishing rights, rights of way, or the right of the public to cross the land between the high and low water marks.

## **Restrictive Covenants**

- also known as 'deed restrictions'. such restrictions may be over and above those imposed by the zoning code.
- sometimes a developer may record such restrictions when the entire plot or development is recorded. Usually the purpose is to provide uniformity of style or size of houses within a certain area.
- a restrictive covenant in your deed or as recorded can limit the kind of house you may build, what you may or may not do in your house or even to whom you may sell it.
- such restrictions are often contained in the deed but it is important to check on any that may be recorded.

## The Closing

- the final step at which the money is passed and the mortgage papers are signed.
- the lender gives you a cheque which you give to the seller of the property.
- the seller gives you the deed to the property.
- you will also have to pay the difference between the selling price and the amount of the mortgage.
- there may be several other charges you have to pay:
  1. closing cost or fee -- the cost of the appraisal of the property plus an attorney's fee for drawing up the papers.
  2. the cost of a survey to show property lines and make sure the land or house you are buying is where you think it is.
  3. the fee to record your title in the land records of the community in which your property is located.
  4. you must furnish a fire insurance policy to the lender. (See insurance section.)
  5. taxes from the date of purchase to the next tax payment date.
  6. if the previous owner has left fuel oil in the tank or bottled gas or other fuel or supplies that you will need, you may have to pay for these.
  7. lawyer's fee.



# Mortgages



# **What is a Mortgage?**

- a mortgage is a legal transfer of ownership--but not possession--of property from a debtor to a creditor.
- if you do not make the payments in the amount and at the time stipulated by the mortgage, the lender can force the sale of your house or take it over (foreclose the mortgage).
- under the federal Interest Act, any borrower has the right to pay off a mortgage after it has been in effect for five years. A three-month interest penalty may be charged for this privilege.
- the provincial Mortgages Act also deals with this subject. A mortgage is open to prepayment after five years with a three-month penalty. Partial payment is subject to interpretation. A lawyer should be consulted.

## **Types of Mortgages**

There are three general ways of raising mortgage money.

1. A loan insured by the National Housing Act or a direct loan from Central Mortgage and Housing Corporation.
2. A conventional mortgage. A mortgage without a guarantee from CMHC under the NHA. It is extended by a financial institution or individual.
3. A second mortgage.

## **CMHC/NHA**

- the National Housing Act of 1954 is intended to help the average Canadian own an average home without having to pay a heavy down payment.
- the Act is administered by CMHC.
- the purpose of CMHC is to encourage the development of moderately priced homes for ownership and rental.
- when loans are used to provide rental accommodation, they are available only for new units.
- primarily, CMHC insures other lenders' mortgage loans which have been approved by the government. This means that if a borrower does not make monthly payments, the lender can foreclose, transfer the property to CMHC, and receive from them the remainder of the cash owing at the time of default.
- CMHC seldom lends money directly. Most direct loans are confined to mortgage loans for low income groups or to areas where NHA-approved lenders are not active.
- interest on direct loans is 1/2% to 3/4% lower than that charged by NHA-approved lenders.
- an insurance fee of 7/8 of 1% of the loan amount is charged on loans for existing houses and 1% on new house loans. This is placed in a fund to compensate lenders when a borrower defaults.

Regulations:

- a government-insured mortgage on a new single family house can be made for 95% of the appraised value of the house and lot, to a maximum of \$30,000. On existing (not new) houses, the loan to value ratio is 95%, maximum \$23,000.
- loans are amortized over 25 to 35 years.
- monthly payments including interest, principal and municipal taxes should not exceed 30% of the borrower's income. Bank interest is paid on accumulating tax money.
- the full earnings of husband and wife may be taken into account.
- if the money is borrowed to build a house, a \$35 fee is charged to cover administration, appraisal and inspection expenses.
- after three years, a NHA loan is "open". This means the borrower can pay it up in full at any time after three years by paying a penalty of three months' interest.
- on NHA loans made by CMHC it is the practice to accept full payment of the mortgage at any time after the first payment without penalty.
- NHA lenders check out a borrower's income, employment status, domestic background, health and credit record.

CMHC Assisted Home Ownership Program

- designed primarily to bring the effective mortgage interest rate during the first year of occupancy down to 8%.
- the purpose is to help households of two or more persons buy a home without spending more than 25% of their adjusted monthly income on mortgage payments.
- see "Government Assistance Plans", this section.

## **Conventional Mortgage Loans**

- people who do not qualify for assistance under NHA must seek money elsewhere.
- lenders usually use the same '30% of income' guideline for mortgage payments and taxes.
- the Ontario government's Equal Credit Opportunity Guidelines provide that the income of both husband and wife will be taken into account.
- when a loan is insured, most lenders will advance 90% to 95% of the value of the first \$30,000; 75% of the value on the next \$30,000; and 50% on amounts over \$60,000.

## Second Mortgages

The second mortgage is a debt with second claim on the property. This means the second lender cannot foreclose in case of non-payment until the holder of the first mortgage does so. For this higher risk he demands higher interest. With housing costs high, many people use a second mortgage in order to meet the down payment or to pay part of the purchase price of a more expensive home. Sometimes people take a second mortgage against the equity they have in their home to finance property improvements, education and so on.

- rates are high because the second mortgage lender is the last in line to be paid. Unpaid taxes have first claim, then the first mortgage, then the second. If a second mortgage holder has to foreclose, the holder will have to assume the responsibility for the first mortgage payments to protect the investment.
- a second mortgage should not exceed 80% of the property's appraised value, as a borrower could run into trouble with heavy fees and bonuses.
- beware of the second mortgage which wipes out your equity.

# Shopping for a Mortgage

Be sure to check with several lending firms. Repayment terms are often negotiable. Many lenders write mortgages for a shorter length of time than is required to pay them off. A mortgage may be amortized over 20 years but its term may be five years. This means the mortgage is due and payable in full at the end of five years. Normally, the company will renew it for a further period -- at the going interest rate. This may be your opportunity to negotiate a better loan. Be sure to watch interest rates for this purpose.

You may decide to arrange a lower-cost loan elsewhere. There are legal costs involved in discharging the old mortgage and writing the new one, so the reduction in interest would have to be good enough to make it worth your while.

### Amortization

The "amortization period" is the length of time required for the mortgage to be paid off by equal monthly instalments. Each monthly instalment is divided into principal and interest in different proportions over the life of the mortgage. On a mortgage amortized over 25 years, the interest portion will start off high and the principal low. They will be roughly equal about the fifteenth year and will end with the principal portion high and the interest portion low. For a sample of an amortization schedule, see "Documents", this section.

### Where to shop

1. If the house has an existing mortgage, the lender may increase the mortgage for the new buyer. Check this possibility first.
2. Try for NHA/CMHC.
3. Owners often 'take back' a mortgage on property they are selling.
4. Approach lenders you already do business with.
5. Credit unions.
6. Banks.
7. Trust companies.
8. Life insurance companies.
9. Mortgage loan firms.
10. Mortgage brokers.
11. Lawyers have access to mortgage funds made available by their clients.
12. Some companies offer mortgages to their employees.
13. Private individuals sometimes lend money on mortgages.
14. Try your rich uncle.

Note: Compare rates of interest offered by different lenders. Watch carefully for additional charges such as finders' fees, bonuses etc.

### Mortgage brokers

- a mortgage broker brings private investors and companies together with borrowers. Borrowers pay the broker a fee which depends on the risk involved; lenders sometimes pay a finder's fee.
- dealings of mortgage brokers are regulated by the Mortgage Brokers Act, Revised Statutes of Ontario 1970 which is administered by the business practices division of the Ministry of Consumer and Commercial Relations.
- lenders exempt from the above Act are: trust and insurance companies, banks, credit unions and government agencies. These companies are subject to other regulations.
- rates may be the same or higher than for direct mortgage money.
- brokers can often provide a mortgage when a conventional lender has to decline.
- to find a broker, check your local telephone directory or the Ontario Mortgage Brokers' Association for names of local members. Their address is 8 King St. East, Suite 1710, Toronto, Ontario. Phone (416) 364-4027. To find out if a broker is registered, check with the office of the Registrar of The Mortgage Brokers Act, 5th floor, 555 Yonge St., Toronto, Ontario, (416) 965-2513.

### Mortgage pitfalls

Be sure to consult your solicitor when arranging the financing. Do not use the solicitor of the seller or the lender. Get a lawyer whose sole job will be to protect your interests.

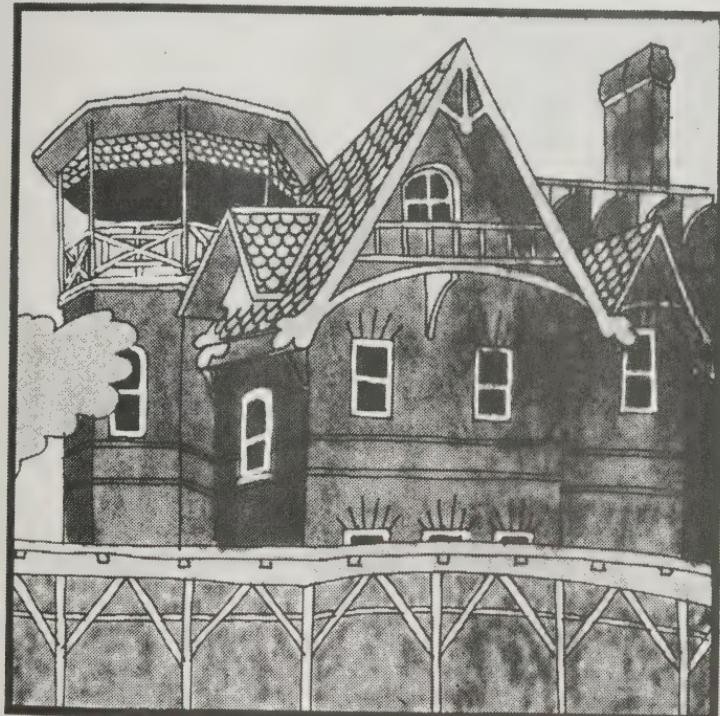
1. A mortgage is a debt. The first mortgage is the debt which has first claim on the property. The second mortgage is the debt with second claim. Say you take over the existing mortgage on a house: you now have a first mortgage which runs for two years and a second which runs for ten years. In two years the first mortgage is due and payable. Normally, you would take out another first mortgage on the property to pay it off. However, as soon as you pay off the existing first mortgage, the existing second mortgage moves into first place. You are now stuck. You must raise a much larger amount of money, probably at a higher interest, to pay off both mortgages at once. This results in much larger monthly payments than you expected within two years of buying the house.

This situation can be prevented very simply -- with a postponement clause in the second mortgage. But it takes an expert to know that this situation can exist and to prevent you from walking into it.

2. The current interest rate on second mortgages is from 9% to 30%. By adding bonuses, arranging fees, commissions, etc., this rate can be as high as 80% to 100%. One illegal dodge is to draw up a mortgage for \$3,500 but give the borrower only \$3,000. The borrower pays instalments and interest based on a loan of \$3,500. The lender, who now has an extra \$500 in the bank, is receiving interest on \$3,500 and will eventually receive another \$500 in instalments.

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ication of the Consumers' Association of Canada (CAC).

# Mortgage Financing



by J. E. Hatch\*

ne time or another most find that they have need substantial amount of funds to take a vacation, install swimming pool, finance an education more commonly, to purchase a house. In any of these an individual may borrow money and pledge his real estate as security. Consumers be familiar with the basic involved in mortgage loans

Hatch is an Associate Professor of the University of Western Ontario, Business, and has recently completed a book called *The Canadian Mortgage Government of Ontario, 1975.*

on residential property before embarking on such a major transaction.

## Mortgages and The Law

When a mortgage loan is made, the lender acquires an interest in real property. The nature of this interest differs from one part of Canada to another depending on the way in which property rights are recorded. Each provincial government maintains facilities throughout the province for the registration of deeds and claims against property. There are basically two kinds of systems in use

in Canada; the "registry system" and the "land titles system".

Under the registry system, when a mortgage loan is made, the title to the property being mortgaged is conveyed from the borrower ("mortgagor") to the lender ("mortgagee"). The borrower may redeem the title to his property if he repays the mortgage in full. This right is called the "equity of redemption." If a borrower requires a second mortgage loan he can no longer pledge his property as security for the loan since he has already conveyed legal title to the first mortgage lender. As a result, the second

mortgage lender takes an interest in the borrower's equity of redemption as security.

Under the land titles system, the borrower retains title to his land and when a loan is made, each successive lender has a charge against the land which is recorded in the land titles office. The priority of these claims is based on the time and date on which the claim is registered. Thus, the first, second and subsequent mortgage lenders all have some claim against the property.

The registry system is much older than the land titles system and consequently is commonly found in those parts of Canada which were settled first, including the four Atlantic provinces, southern Ontario, and portions of western Canada. The land titles system is found in western Canada, northern Ontario, and those parts of Ontario where new subdivisions are being developed. In Quebec a mortgage is called a "hypothec". Hypothecs are recorded in much the same way as under the land titles system in that lenders have claims against land but the title to the property is not conveyed to the first mortgage holder.

## Remedies Upon Default

A mortgage loan is normally repaid in a series of monthly payments. If a borrower defaults on these payments, the lender has a number of remedies at his disposal which can be divided into two types — foreclosure and forced sale.

If the lender decides to foreclose he begins a court action which ends with the lender having sole title to the property. The borrower no longer has the option to redeem the property on repayment of the debt. If the foreclosed property is sold by the lender, it is assumed by the courts that the entire amount of the debt has been satisfied and no further action can be taken against the borrower.

Instead of foreclosing, a procedure which is often very time consuming, the lender may decide to force sale of the property. Depending on the jurisdiction, this sale may be made by the courts or by the lender. The proceeds from the sale of the property go toward the settlement of the lender's claim. Any excess funds are given to the

borrower; if there is a shortage of funds from the sale, the lender may sue the borrower on his personal covenant to pay the deficiency. This procedure is the normal remedy pursued under the land titles system.

In the event of a forced sale the remedies of the second mortgage holder are much the same as the remedies of the first, except that in any settlement the first mortgage holder must be paid in full before the second mortgage holder receives anything from the sale of the property. If the first mortgage holder forecloses on the property, the original owner loses not only title to the property itself, but also his equity of redemption. The equity of redemption is pledged as security for the second mortgage lender. If he feels the house is sufficiently valuable, the second mortgage lender will sometimes pay off the first mortgage or place it in good standing again in order to protect his security.



## Insured Mortgages

The law requires that most financial institutions not make mortgage loans in excess of 75 per cent of the value of the property being mortgaged. This "loan-to-value ratio" may be exceeded if the amount of the loan in excess of 75 per cent of value is insured, either by the Central Mortgage and Housing Corporation or a private mortgage insurance company. A mortgage which is not insured is normally referred to as a "conventional mortgage"; a mortgage which is insured by Central Mortgage and Housing Corporation under the National Housing Act is called an "NHA insured mortgage"; and a mortgage which is insured by a private company is normally called a "high ratio mortgage".

Mortgage insurance provides protection for the lender since in the event of default by the borrower, the insurer promises to cover most of the lender's loss. The premium for mortgage insurance is paid by the borrower. At the time the mortgage loan is taken out, amounts up to approximately 25 per cent of the mortgage amount. Since relatively few loans in recent years have been able to provide the 25 per cent down payment necessary for a conventional mortgage, a large proportion of mortgage loans made have been insured either through C.M.H.C. or private mortgage insurance companies. Although one may obtain a loan of up to 95 per cent of the value of the property if the loan is insured, there are limits to the dollar amount of the loan that the borrower may obtain in this way.

## Finding Mortgage Funds

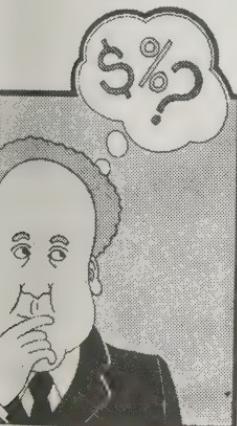
If a new house is being purchased from a builder, chances are the builder of the house would already be arranged for mortgage financing. In this case the purchaser, if he is acceptable to the builder, would take over the mortgage obligation.

In other cases the house buyer has to arrange for his own financing. At the outset the individual should ascertain whether he may obtain funds from such sources as savings, the liquidation of investments, life insurance policies, or loans from relatives and employers. Also, there are a variety of federal and provincial programs which provide either direct loans or subsidies to house purchasers who meet certain income requirements. Information on these sources may be obtained from federal or provincial housing authorities.

First mortgage loans are available from the branches of the major financial institutions such as the Royal Bank, the Canadian Bank of Commerce, the Bank of Montreal, and the Bank of Nova Scotia. Credit unions are an increasingly popular source of mortgage loans. However, the large size of some mortgage loans relative to the size of the credit union operations makes it impossible to borrow the full amount from this source.

Sometimes the major financial institutions are short of funds and are unwilling to make a loan of the less desirable type of property.

circumstances the home buyer contact a mortgage broker directly or through his lawyer or real estate agent. A mortgage broker is an individual who knows where funds can be borrowed personally has a number of contacts, such as professional people who have sums of money that are willing to invest in mortgages. The broker receives a fee for his services, the amount determined by how much work he does. The interest rate for this financing is higher than that of major financial institutions.



tion to the first mortgage, purchaser often requires sums of money to complete the purchase. These funds can come from a variety of sources including the vendor of the property, brokers, and the realty finance companies.

### Applying for a Mortgage Loan

Purchaser of a house must go through a series of procedures in applying for a mortgage loan. First, the mortgage lender is asked to place a property as security for the loan, the lender has to ensure that the borrower has good title to the property. Consequently, title to the property has to be searched in the Registry or Land Titles Office. The lender may also require that the property be surveyed in order to ensure that the premises actually exist on the property in question and that there are no encroachments. The value of the property is assumed to be the purchase price or the appraised value, whichever is lower. Thus, the lender

requires that an appraisal of the property be done. The borrower is charged for the title search, survey and appraisal.

As indicated earlier, the maximum loan-to-value ratio for a conventional mortgage loan from most financial institutions is 75 per cent. However, some financial institutions will lower this loan-to-value ratio in order to adjust for increased risk or a shortage of mortgage funds. So, it is sometimes in the best interest of the borrower to shop around and find out if he can achieve a better loan-to-value ratio at some other institution. Before the lender provides the mortgage funds he will normally do a credit check on the borrower in order to verify any financial information provided in the application form. An interview is often conducted, usually with both the husband and wife present.

Mortgage lenders apply a number of rules of thumb when evaluating loan requests. One example is the "gross debt service ratio" (the ratio of all principal, interest, and tax payments associated with the mortgage loan, relative to the total gross income of the borrower). A common maximum gross debt service ratio is 27 per cent but this varies according to the financial strength of the applicant. Many institutions are also using a "total debt service ratio" (the total debt service ratio is the ratio of principal, interest and taxes associated with the first mortgage plus all other financially related payments, relative to the gross income of the borrower). A common maximum ratio is 40 per cent. Depending on financial conditions, a borrower may find one institution somewhat more lenient than another in applying both the gross debt and the total debt service ratios.

Institutions also differ in the extent to which they are willing to consider various items as part of the income of the applicant. For example, some institutions will include all of the wife's income as part of gross income and others will include only one-half of the wife's income.

### The Financial Details

The rate of interest paid on a mortgage loan varies from one institution to another and over time.

If a house is purchased from a builder the mortgage loan may have been arranged at some time in the past and the interest rate on that loan may bear little relationship to the current market interest rate. On the other hand, a rule of thumb is available to approximate current mortgage interest rates. Trust companies, which are among Canada's major mortgage lenders, like to maintain a spread of from 1½ to 2 per cent between their borrowing costs and the mortgage interest rates that they charge. Thus, when the five-year guaranteed investment certificate rate paid by trust companies is, for example, 9 per cent, chances are the mortgage lending rate of the trust companies is between 10½ and 11 per cent.

A given financial institution will normally quote more than one interest rate. For example, the interest rate on a N.H.A. insured loan is often ¼ or ½ per cent below the interest rate on conventional mortgage loans. Interest rates on second mortgages vary tremendously from one lender to another. If the vendor takes back a second mortgage he will sometimes provide the loan at an interest rate which is the same as, or even lower than, the going interest rate on conventional mortgages. Some companies provide their employees with second mortgages at a very low rate. On the other hand, a second mortgage from a finance company is likely to range from 2 to 4 per cent above the prime conventional mortgage interest rate. If money becomes particularly tight or where the property being mortgaged is not considered desirable for some reason, the interest rate can go even higher.

Because a variety of interest rates are likely to exist in the market, the borrower is encouraged to make a half dozen telephone calls to major financial institutions in order to obtain their currently quoted mortgage interest rate. One should also ensure that the institutions are actually making loans, because in some cases a rate is being quoted but no funds are available or they will not be available for quite some time.

Mortgages are normally designed so that the lender will receive a monthly payment of principal and interest. The typical period over which the loan is completely repaid

very high interest rate, he is better off using any excess funds he may have to prepay his mortgage rather than placing the funds in some other investment.



in this way is from 25 to 30 years. This period is called the "amortization period". The "term" of a mortgage is the period after which a mortgage becomes totally due and payable. Most mortgages on single-family houses are currently written with a five-year term and a 25-year amortization period. As a result, at the end of five years the entire amount of the mortgage outstanding is due and payable. The lender then has the option of extending the loan for another five-year term or insisting that the loan be paid off immediately. In practice, the financial institution grants the mortgage for an additional five-year term and the mortgage interest rate is readjusted upward or downward to the current market interest rate. Although five-year term mortgages are now very common, at one time mortgage loans were made with a 25-year term and a 25-year amortization period. Some of these mortgages which have a fixed interest rate for the life of the mortgage are still outstanding.

For a variety of reasons the borrower may decide that he wishes to prepay all or a part of the mortgage

loan. By law, if the original term of the mortgage is greater than five years, then, at any time after the expiration of five years, the entire principal amount of the mortgage outstanding may be paid, as long as it is accompanied by three months interest on the prepaid balance. Although partial prepayment privileges are often granted as part of the mortgage agreement, it is uncommon, except for compassionate reasons, to allow a mortgage to be repaid without penalty within five years. N.H.A. insured mortgages have special prepayment privileges. The borrower has the right to prepay up to 10 per cent of the original amount of the loan at the time of the 12th monthly payment, another 10 per cent at the time of the 24th monthly payment, and all or part of the outstanding balance on any monthly anniversary after the 36th monthly payment. In the event the borrower decides to prepay portions of the loan, the lender can ask for a three month interest bonus on the amount of the prepayment.

Generally speaking, if an individual has a mortgage which bears a

# Government Assistance

A special edition of  
Housing Ontario  
is available  
giving details of  
funding, organization,  
authority and use  
of the following plans.

# **A Listing of All Government Assistance Plans is Available from:**

Ontario Ministry of Housing: for head offices of the various programs or branches, send correspondence to field offices or:

Ministry of Housing  
(branch, division, corporation, etc.)  
Queen's Park  
Toronto, Ontario.  
M7A 1N3

## **Ontario Housing Corporation**

OHC  
Eastern Ontario Branch  
1 Nicholas St.  
11th Floor  
Ottawa, Ontario  
K1N 7B7  
Telephone: (613) 237-0612

OHC  
Northern Ontario Branch  
907 Lorne St.  
Sudbury, Ontario  
P3C 4R6  
Telephone: (705) 675-8351

OHC  
Central Ontario Branch  
47 Sheppard Ave. E.  
Toronto, Ontario  
M2N 5X5  
Telephone: (416) 226-9150

OHC  
Northwestern Ontario Branch  
435 James St. South  
Thunder Bay, Ontario  
P7C 5G6  
Telephone: (807) 475-1465

OHC  
Southwestern Ontario Branch  
80 Dundas St. W.  
P.O. Box 5600, Station A,  
London, Ontario  
N6A 2P3  
Telephone: (519) 679-7110

OHC  
Southern Ontario Branch  
55 Hess St. S., Penthouse  
Hamilton, Ontario  
L8P 4R8  
Telephone: (416) 527-9216

Applications:

In Metro Toronto only, apply to:

Housing Registry  
Ontario Housing Corporation  
101 Bloor St. W., Main Floor  
Toronto, Ontario  
M5S 1P8

Outside Metro Toronto, consult your local telephone directory for your local OHC office (listed under Ontario Housing Corporation) or for your local housing authority (listed under the name of your county or municipality, e.g., Hamilton Housing Authority).

## **Community Planning Advisory Branch**

CPAB  
North West Region  
435 James St. S.  
Box 5000  
Thunder Bay, Ontario  
P7C 5G6  
Telephone: (807) 475-1651

CPAB  
South West Region  
495 Richmond St., 7th Floor  
London, Ontario  
M6A 5A9  
Telephone: (519) 673-1611

CPAB  
North East Region  
Montrose Mall  
758 LaSalle Blvd. W.  
 Sudbury, Ontario  
P3A 4V4  
Telephone: (705) 560-0120

CPAB  
Central Region  
47 Sheppard Ave E., 2nd floor  
Toronto, Ontario  
M2N 1Z3  
Telephone: (416) 226-1855

CPAB  
South East Region  
244 Rideau Street  
Ottawa, Ontario  
K1N 5Y3  
Telephone: (613) 233-9301

CPAB  
Central Office  
60 Bloor St. W., 8th floor  
Toronto, Ontario  
M4W 3B8  
Telephone: (416) 965-3352

## **Central Mortgage and Housing Corporation**

For programs or branches, consult your local telephone directory for your local CMHC office or send correspondence to:

Central Mortgage and Housing Corporation  
Ontario Regional Office  
145 King St. W.  
Toronto, Ontario  
M5H 1J8  
Telephone: (416) 361-0420

## **Assisted Rental Housing**

### Purpose:

- to provide adequate rental housing accommodation for families and senior citizens in need of shelter assistance.
- for families, geared-to-income rents range from 16.7 to 25 per cent of gross income. For senior citizens, rent ranges up to 25 per cent of income.
- for individuals or families receiving allowances under the General Welfare Assistance Act or the Family Benefits Act, the shelter allowance payable under the legislation is accepted as rent.

### Description:

A community's housing needs, including assisted housing requirements, are identified in a municipal housing statement which details each municipality's housing objectives.

A municipality may develop an assisted rental project on its own, through a municipal non-profit housing corporation; it may request the Ministry of Housing to undertake development, or seek private sector involvement through the ministry's Rent Supplement Program or Private Assisted Rental Program; or encourage the creation of a non-profit group -- community, labor or service club organizations, for example -- to develop a non-profit housing project.

Municipality-developed projects:

For municipalities opting to develop assisted rental housing for either families or senior citizens, financial assistance and development resources are available from the province.

The municipality would acquire the site and develop the project on its own through a 90 per cent capital cost loan from the federal Central Mortgage and Housing Corporation, arranged through the ministry.

As owner, the municipality would advance 10 per cent of the capital costs.

Ministry-developed projects:

If a council were to request the Ministry of Housing to develop a project, the municipality would secure a site, re-zone it if necessary and turn it over to the province for the proposed development. The municipality would be reimbursed for the land.

Under this approach, the province would provide 10 per cent of capital costs; and the federal government would lend the remaining 90 per cent.

The minimum-size guideline for senior citizen projects to be developed by the province is 25 units.

Regardless of whether assisted rental housing for families or senior citizens is developed by the municipality or the ministry, operating deficits are

shared 50 per cent by the federal government, 42½ per cent by the province and 7½ per cent by the municipality in which the housing is located.

Cost:

Cost guidelines for land and construction, based on CMHC benchmarks, are established for each region or municipality. Similar guidelines exist for subsidies and unit sizes. All proposed assisted housing projects must meet those guidelines if land acquisition and development is to take place.

Management:

A municipality undertaking the development of an assisted rental project would own the development. It is responsible for managing the property and could hire a private management company. It could also request that a local housing authority manage the accommodation.

A project developed by the ministry would be managed through a housing authority.

Housing authorities are made up of representatives nominated by the three levels of government. They have the authority to hire staff to carry out the day-to-day administrative functions, under management agreements with OHC.

Other programs:

Assisted housing for families and senior citizens is generated through other programs.

Rent supplement program:

The ministry signs an agreement with landlords wishing to make a number of vacant units available in a private development for subsidized accommodation.

Agreements are in effect for between three and five years, with rental rates reviewed annually to reflect any changes in market rents.

The landlord takes part in selecting tenants from the local waiting list for assisted housing. Tenants generally pay rent on a geared-to-income scale, with the province paying the subsidy portion directly to the landlord.

The operating deficit -- the difference between the agreed rent and the rent paid by tenants -- is supplemented by the three levels of government.

Tenants in those units are treated in the same manner as other residents of the building. They sign a lease with the owner and observe the conditions of the Landlord and Tenant Act.

Private assisted rental program:

This program was introduced in 1976 in an effort to encourage greater participation by the private sector in providing geared-to-income accommodation. It

complements the ministry's direct construction program for assisted rental housing, under which the province contributes 10 per cent of capital costs, and the federal government 90 per cent, as well as direct construction by municipalities.

Under the program, builders arrange private mortgage financing and develop rental projects in municipalities selected by the ministry. Units under construction or completed projects are not eligible for the program.

The builders construct, own and manage the properties and enter into agreements with Ontario Housing Corporation. Up to 100 per cent of the units in a project are made available to applicants on the local waiting list for assisted rental housing.

Agreements are in effect for a minimum of 15 years, and a maximum of 35 years. After 15 years, the ministry has the option of extending the term or allowing the builder to rent the accommodation on the open market. The difference between the agreed rent and the rent paid by tenants is supplemented by the federal, provincial and municipal governments on a 50:42½:7½ ratio.

Community sponsored housing program:

The province encourages community groups and municipalities to form non-profit housing corporations to build and operate rental housing for persons with low and moderate incomes.

The Community Sponsored Housing Program complements federal assistance which includes a 100 per cent mortgage, 10 per cent of which is forgiven.

Through the program, the province offers a rent reduction grant, equivalent to the federal 10 per cent contribution, to non-profit organizations which make units available for families and individuals under the Rent Supplement Program. The provincial grants are paid over a 15-year period.

Municipalities may form non-profit housing corporations for building low-to moderate-income housing or for purchasing and renovating existing housing.

Interested municipalities may develop and manage the housing or develop the housing and sponsor tenant-managed corporations for the management role.

Reference:

Ministry of Housing  
Community Housing Division  
101 Bloor Street West  
Toronto, Ontario  
M5S 1P8

The Community Housing Division has three regional housing branches with co-ordinators assigned to specific areas of the province.

The co-ordinators are familiar with all aspects of assisted housing within their individual regions.

The area code for the co-ordinators' Toronto telephone numbers is 416.

North region

telephone: 965-9045

Algoma  
Kenora  
Nipissing  
Parry Sound  
Sudbury  
Thunder Bay  
Timiskaming

Central/East region

telephone: 965-9643

Dufferin  
Durham  
Frontenac  
Lanark  
Metro Toronto  
Muskoka  
Ottawa  
Peel Region  
Renfrew  
Simcoe  
York

Haliburton  
Hastings  
Leeds-Grenville  
Lennox-Addington  
Northumberland  
Ottawa-Carleton  
Peterborough  
Prescott-Russell  
Prince Edward  
Stormont-Dundas-Glengarry

### South/West region

Lambton	telephone:	965-9652
Hamilton-Wentworth	telephone:	965-9753
Niagara		
Brant	telephone:	965-9654
Bruce		
Elgin		
Essex		
Grey		
Haldimand-Norfolk		
Halton		
Huron		
Kent		
Middlesex		
Oxford		
Perth		
Waterloo		
Wellington		

# **Ownership Assistance AHOP/HOME**

## Administered by:

Central Mortgage and Housing Corporation

## Purpose:

AHOP/HOME is a joint federal-provincial program aimed at bringing home ownership within the reach of more moderate- and lower-income residents wishing to purchase new housing units approved by Central Mortgage and Housing Corporation.

Financial aid is available through the combination of the federal Assisted Home Ownership Program (AHOP) and Ontario's Home Ownership Made Easy (HOME) plan.

## Description:

AHOP is designed primarily to bring the effective mortgage interest rate down to 8 per cent during the first year of occupancy, through a loan for people buying newly-built homes within specific price ranges.

AHOP also provides qualified home buyers with a subsidy of up to \$750 in the first year of occupancy, so they would not be spending more than 25 per cent of their household income on mortgage payments and municipal taxes.

The province makes available an additional grant of up to \$750 in the first year for those who have qualified for maximum AHOP assistance, should their

mortgage and tax payments still exceed 30 per cent of their household income. In order to qualify for the program, newly-built homes must not exceed maximum prices established by CMHC. The price ceilings vary from area to area in the province.

Assistance comes in three stages:

Stage 1: AHOP's interest reduction loan

All purchasers are eligible, as long as there are at least two persons in the household buying an AHOP-qualified, moderately-priced home.

The loan has the effect of reducing the first year's mortgage payments to what they would be at an 8 per cent interest rate.

Purchasers use the loan to lower mortgage payments during the first five years of occupancy. The loan is interest-free for this support period.

The loan may be repaid at any time during the first five years. It must be repaid if the property is sold or if a new first mortgage is obtained for an increased amount.

If a homeowner chooses to pay back the loan to CMHC by instalments, monthly repayments of the loan plus interest begin in the seventh year of occupancy.

Stage 2: AHOP's subsidy

If purchasers made use of the interest reduction loan and have at least one dependent child, they may be eligible for this non-repayable subsidy -- a maximum of \$750 during the first year of occupancy.

The AHOP subsidy is available to those who have taken the loan and would still be spending more than 25 per cent of their gross household income on mortgage payments and municipal taxes.

Household income is defined as the total income from all sources of the principal wage earner and spouse.

The exact amount of subsidy varies, depending on the household income and the mortgage and municipal tax payments.

Stage 3: The provincial HOME grant

If purchasers have qualified for the AHOP interest reduction loan and the maximum AHOP subsidy and find that they would be spending more than 30 per cent of their income on mortgage payments and taxes, they may be eligible for the provincial HOME grant.

The grant, designed to bring mortgage payments and taxes down to 30 per cent of the household's gross annual income, amounts to a maximum \$62.50 monthly in the first year of residency. It is a non-repayable grant.

Total assistance -- any combination of Stages 1, 2 and 3 -- is paid directly to the purchaser each month, providing there is no default on the mortgage.

After the first year, the total assistance is decreased annually by one-fifth of the first year's total assistance or \$240 per year, whichever is less.

At the end of the five years, the financial arrangements can be reviewed and, if warranted, the assistance may be continued.

Those interested in purchasing a home under AHOP or AHOP/HOME should consult the real estate advertising sections of the newspapers for builders selling AHOP-qualified homes. A check could also be made with the local CMHC office.

## **Federal/Provincial Rural Housing Program**

Administered by:

Central Mortgage and Housing Corporation.

Purpose:

To provide housing assistance to low-income families through community and co-operative organizations in non-urban areas, particularly rural communities with a population of under 2,500 persons. The assistance is provided for housing rehabilitation and home ownership.

Description:

Funds are available for rehabilitation and the Assisted Home Ownership Program. The ownership geared-to-income program is reserved for families and individuals with an income of less than \$6,000 annually. CMHC administers the program and provides technical advice to community groups contemplating a housing development under the program.

Reference:

Central Mortgage and Housing Corporation.

## **Co-operative Housing Assistance**

### Administered by:

Central Mortgage and Housing Corporation.

### Purpose:

To encourage and assist co-operative housing as an alternative kind of tenure. By providing loans to co-operatives the National Housing Act encourages action and self-help by groups of people who are prepared to assume responsibility for the organization of a co-operative association.

### Description:

FEDERAL: All of the assistance available under the act to individuals and organizations is also available to co-operatives on the same conditions. Loans are available for both building co-operatives and continuing co-operatives. Continuing co-operatives which qualify as non-profit organizations can make use of all of the benefits of the Rental Housing Assistance Program, Non-Profit Housing Assistance Program, and the Residential Rehabilitation Program (except for conversion purposes outside of the Neighborhood Improvement Program areas).

### Reference:

Central Mortgage and Housing Corporation.

## **Residential Rehabilitation Assistance Program (RRAP)**

### Administered by:

Central Mortgage and Housing Corporation and local municipalities.

### Purpose:

To provide, along with the Neighborhood Improvement Program, funds to revitalize deteriorating urban areas through loans and grants to homeowners and landlords in NIP and special RRAP areas. See also Neighborhood Improvement Program and Ontario Home Renewal Program.

### Description:

FEDERAL: Homeowners with an adjusted annual income of \$11,000 or less may apply for grants and/or loans to finance improvements to their dwellings.

Loans of up to \$5,000 per dwelling unit are possible, and up to \$2,500 may be forgiven on each loan.

Loans are also available to non-profit corporations and co-operatives for rehabilitation purposes and for the conversion of residential buildings into a greater number of family housing units or into accommodation of the hostel or dormitory type. Loans are also available to landlords agreeing to rent-control programs.

All homes are to be upgraded to meet occupancy and building maintenance standards set by the community. Funds are directed primarily toward structural repairs and upgrading of plumbing, electrical, and heating systems, which would extend the useful life of the

home for at least 15 years.

All RRAP activity except non-profit and co-operative housing must be in a NIP or specially-designated area.

MUNICIPAL: The municipality is responsible for details of the Program up to the final loan application, at which time CMHC becomes responsible.

Reference:

Central Mortgage and Housing Corporation.

## **Ontario Home Renewal Program (OHRP)**

### Administered by:

The Ministry of Housing, community renewal branch, the local municipality in organized territories; and in unorganized territories by the community renewal branch in conjunction with the Ministry of Natural Resources.

### Purpose:

To assist owner-occupants to repair or improve their houses, especially sub-standard structural and sanitary conditions, and plumbing, heating, insulation and electrical systems.

OHRP extends the benefits of the Residential Rehabilitation Assistance Program and the Neighborhood Improvement Program to areas that would not normally qualify for financial assistance under these programs.

### Description:

**PROVINCIAL:** The Ministry of Housing provides, through the Ontario Home Renewal Program, per capita grants to municipalities to administer directly as loans and/or grants of up to \$7,500 to owner-occupants whose adjusted family income is no greater than \$12,500. The rate of interest charged is determined by family income.

**MUNICIPAL:** Municipalities are responsible for administering loans and grants to individuals, and for home inspection. Any municipality may apply OHRP

funds through council resolution and providing it is willing to adopt standards for maintenance. Home owners with an adjusted annual family income of \$12,500 or less may apply for a loan or grant.

Reference:

Organized territories:  
Community Renewal Branch--965-2826

Unorganized territories:  
Ministry of Natural Resources  
Northern Affairs Offices  
Individual home owners  
contact office of municipal clerk.

## **Home Improvement Loans,**

Administered by:

Central Mortgage and Housing Corporation

Purpose:

To finance the improvement of existing houses and apartments.

Description:

FEDERAL: CMHC is authorized to give a limited guarantee to banks or approved instalment credit agencies, in return for an insurance fee paid by the borrower, on loans made for certain specified additions, repairs, and alterations to houses and apartments. The loans are to a maximum of \$4,000 per dwelling and cover the cost of labor, materials and equipment.

Reference:

Central Mortgage and Housing Corporation.

# **Neighborhood Improvement Plan (NIP)**

## Administered by:

The Ministry of Housing through its community renewal branch, Central Mortgage and Housing Corporation, and the local municipal authority.

## Purpose:

To improve the housing and living conditions of residents of deteriorating neighborhoods. Rehabilitating individual homes through the federally-sponsored Residential Rehabilitation Assistance Program (RRAP) and facilitating improvement of social amenities, municipal services, and public utilities through NIP.

## Description:

The program provides grants and loans to municipalities to encourage the upgrading of older residential neighborhoods. The municipality is also responsible for planning, implementing and administering local projects. Provincial and federal financial assistance is available for such projects as: selection and planning of neighborhood; acquiring or clearing land to be used for medium and low density housing for individuals or families of low and moderate income if the existing building constitutes a noxious use, or a residential building beyond the stage of economic rehabilitation; purchase and clearance of land for social and recreational purposes; new buildings or improving existing structures for social or recreational facilities; relocation of people

dispossessed of their homes by the program; development of occupancy and building maintenance standards; administration of the program, including employment of staff.

Reference:

Municipalities interested in the program should contact the Community Renewal Program of the Ministry of Housing.

## **Community Planning Study Grants**

### Administered by:

Ministry of Housing, community planning advisory branch.

### Purpose:

To assist small municipalities (population of 10,000 or less) in preparing or updating official plans and zoning bylaws; to assist regional, county or district governments in preparing land severance policies; to fund preparation of required secondary plans; to finance planning programs for unorganized territories; to fund preparation of strategy plans for municipalities not included in a defined planning area; to finance special planning studies deemed necessary for municipal planning.

Municipalities must apply to regional managers of the branch for grants, which are approved by the minister.

### Reference:

Central Office

Community Planning Advisory Branch--965-3352.  
or CPAB Regional offices



# Types of Housing



# Types of Housing

## Built to order

- the new house designed and built for you.

## New subdivision

- put up by a developer
- usually all houses in area are variations on one or two themes.
- usually priced lower than built-to-order houses as they are put up by the 'assembly-line' method.

## Built-to-sell houses

- sometimes a contractor will build a made-to-order house in an established neighborhood, with existing lawns, gardens and trees.

## Condominiums

- may be row houses, attached houses or high rise apartments
- a form of ownership whereby:
  1. an owner holds negotiable title to the unit and can mortgage it.
  2. owners share title to all common elements such as lobbies, lawns and outside walls with other owners in the project. Owners share the cost of maintaining these elements.
- general maintenance is overseen by a group of elected members called the condominium corporation.
- the condominium corporation must be registered with the Ministry of Consumer and Commercial Relations.

- as the corporation will not be registered until construction is substantially completed and sometimes until a certain percentage of the units are sold, buyers sometimes move in under a rental agreement until title can be granted. The rent paid during this time is most often NOT applicable against the down payment on the unit.
- practical experience indicates that management costs always increase. When moving into a new condominium, plan for this possibility.
- sometimes people move into a condominium because they do not wish to do their own gardening and snow removal. Later, a general meeting of the members may decide that these duties should be carried out individually, which means you could wind up doing your own gardening.

#### When buying a new condominium

- the law requires builders to make available certain documents:
  1. Description - a detailed plan of the development.
  2. Declaration - how ownership is divided, common elements, percentage each owner has in the common elements.
  3. Bylaws - rules to which each unit owner must adhere.
- all money other than occupancy payments received by the developer from a unit purchaser on account of the sale of a unit must be held in trust. Interest is paid on this money until a deed acceptable for registration is provided.

#### When buying a resale unit

- sellers of resale units are not required by law to show you the above documents. Be sure to see them before committing yourself to buy.
- note the condition of common buildings and grounds. This could indicate possible upcoming expenses.
- be sure appearance of common elements and other units matches that of the one you are buying.

#### When buying a conversion complex

- this is an apartment building which has been converted to condominium-style ownership.
- find out the actual age of the building, not just how long it has been a condominium. This helps in judging whether the reserve fund is large enough to cover major expenses, whether the heating, water and electrical systems may soon need changing and whether other maintenance costs may become due in the near future.
- a reserve fund is normally built up from regular maintenance payments.

### Co-operative housing

- a form of ownership in which you buy shares in a company.
- this company owns the whole building or development. There is one company (legal owner) and one mortgage.
- your shares entitle you to one apartment and you pay a proportion of the one mortgage.
- you pay management fees, taxes and so on over and above your mortgage payments.
- if a building is only partly occupied, owners must pay the whole tax bill among themselves.
- you cannot buy, sell or sublet your apartment without the consent of the other members of the company.

### Domes

- a form of prefabricated housing.
- can be bought in pre-cut, triangular panels which are assembled on the site.
- as a dome is entirely self-supported and does not depend on interior posts or walls for support, you can have rooms wherever and of whatever size you like.
- on a cost-per-square-foot basis, domes are considered one of the cheapest of the prefabricated houses.
- reports suggest that they may be quite hot in the summer.
- proponents of domes insist that they can be built by unskilled workers at very low cost.

- domes are said to be strong, an especially desirable characteristic in areas where there is lots of snow. Their round shape is a benefit in withstanding high winds.
- acoustics are good, i.e., sounds are amplified.
- most domes being built now have five openings around the base, any of which can be doors, and ten skylights. This permits the entry of a great deal of natural light and natural heat.
- many domes leak.

#### Mobile homes

- these are year-round, permanent homes. They are built to strict standards and made to be transported on their own wheels and chassis. By this means the mobile home is brought to a building lot, placed on a foundation and connected to utilities.
- they are not house trailers.
- when set on a foundation, the appearance is similar to a medium priced, site-built house.
- the lower cost results from the saving in time and effort to bring materials to the site.

#### Modular houses

- these are house sections or rooms which are assembled in a factory, transported to the site and put on a permanent foundation.
- popular for assembly as row houses or garden apartments.
- Habitat in Montreal is an example of a modular development.

### Prefabricated houses

- walls and floors are built at the factory.
- owner buys a kit and has it assembled or does it personally.
- 'prefabs' are usually unfinished and unfurnished.
- some excellent and attractive designs are available in this form of housing. Among the prefabricated and preassembled types, prefabs appear to have the most flexibility in design.

### House trailers

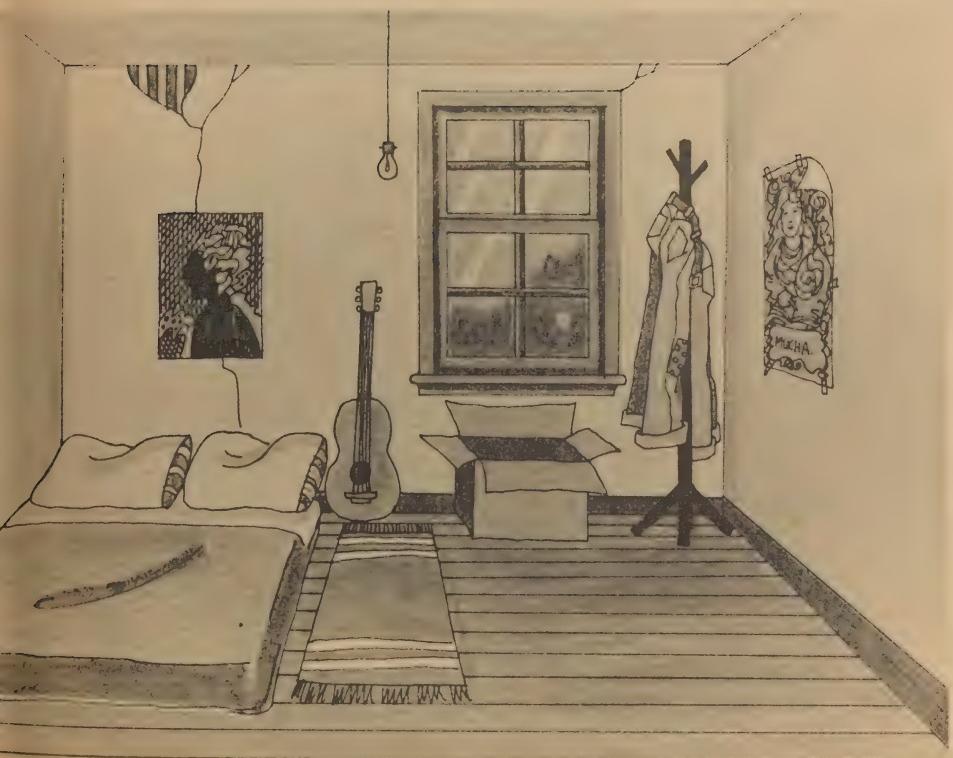
- a portable home. Not always practical in areas of extreme cold or high winds.
- made to be transported easily from place to place and quickly hooked to utilities in trailer parks.
- sometimes set on foundations and used as temporary or retirement homes.

## Things to Remember When Choosing a House

1. Are other houses in the neighborhood maintained the way you intend to keep yours? If you prefer a lifestyle which is not characteristic of the neighborhood, you may not feel comfortable.
2. A visit to the municipal office and a look at the plans can tell you if your future house is in the path of a municipal project or in line for expropriation.
3. Check the zoning bylaws to be aware of future plans regarding buildings near the house. If the area is zoned for residential, check the type. It could permit highrise apartments.
4. Taxes depend on the assessed value of the property and the mill rate. Find out both.
5. When renovations are completed, check the quality of material used and workmanship.
6. Check the price range of houses in the area. Misfit houses always suffer -- neither the fine house in a generally poor area nor the cheaper house in a more expensive area will prove to be as good an investment as the right house in the right place.



# Paying



Paying



# Can You Afford It?

Buying or renting, however you decide to provide that necessary roof over your head, you need to know whether or not you can pay for the type of housing required. Rules of thumb have been ineffectual for some time now, partly because housing costs are generally high and there has been a change in attitudes toward the use of money. It is becoming more generally accepted that the individual is the only judge of what is important. You alone know what you are willing to sacrifice in order to have what you want. The money section, planning contains a further discussion of this subject as well as expense planning methods. To estimate the amount you can spend on housing, fill in the following worksheet:

Income taxes, pension, other payroll deductions	\$ _____
Savings deposits	_____
Insurance premiums	_____
Household operating expenses	_____
-- telephone, electricity, gas, oil	_____
Food	_____
Clothing	_____
Transportation (car and public transport)	_____
Education, entertainment, medical, dental, related expenses	_____
Spending money	_____
Loans and charge accounts	_____
TOTAL	\$ _____

Deduct the total from your monthly income before deductions. The resulting figure is an estimate of the amount you can spend for mortgage payments, taxes, upkeep, insurance or rent.

# Paying

## How Much?

Base your decision on the down payment you can make and how much of your income you can set aside for housing. Be sure you remember to take maintenance costs into account.

### MONTHLY MORTGAGE PAYMENTS

#### Interest Rate

Mortgage

amount =                    9%                    9 1/2%                    10%

\$	Amortization period/years					
	20	25	20	25	20	25
15,000...	133.50	124.20	138.15	129.30	142.80	134.25
25,000...	222.50	207.00	230.25	215.50	238.00	223.75
35,000...	311.50	289.80	322.35	301.70	333.20	313.25

## To Whom?

The real estate broker is paid by the seller.

As purchaser you need to retain a lawyer to investigate the title, revise the deed or transfer and complete the purchase on your behalf. Do not use the seller's lawyer to complete the transaction for you. In Toronto, lawyers' fees run about 1 1/4% of the sale price up to \$50,000, 1/2 of 1% on the excess over \$50,000 to \$150,000.

In Ontario, the land transfer tax which must be paid by the purchaser is \$3 per \$1,000 on the first \$35,000 of value, \$6 per \$1,000 over \$35,000.

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## When it makes sense to prepay your mortgage

So you bought a house for \$80,000, paying down \$20,000, and securing \$60,000 in mortgages at 12% amortized over 25 years. At the end of that time, you'll have paid \$125,742 in interest or a total of \$205,742 for your house.

Should you repay your mortgage at a faster rate in order to save some of that seemingly excessive interest charge? Put another way, should you invest in your own mortgage? That's a question that perplexes Canada's four million mortgage borrowers.

On a straight dollar calculation, investing in your own mortgage can save you a significant amount in interest payments.

Consider a \$25,000 mortgage at 9% over 25 years. Your monthly payment would be \$207. If you paid in an additional \$20 per month, the net reduction on your mortgage would be \$10,556. If you paid an extra \$1,000 per year you would save \$21,511..(See the chart on page 149 and the table on page 153.)

The reason you achieve these savings is because extra payments reduce the period over which the mortgage is amortized. For example, the \$25,000 mortgage at 9% would normally be paid off in 25 years. By paying an extra \$1,000 per year, the amortization period is reduced to 12 years. In other words you'll have paid off your total mortgage in 12 years, thus saving yourself the stream of interest payments from the 13th year to the 25th year.

The principle of saving large sums by contracting the amortization period holds true even if you were to go into the marketplace and borrow short term at higher rates of interest. So, taking our example of a 9%, \$25,000 mortgage, if you were to borrow \$1,000 annually at the going rate of interest, say, 13½%, repay it over each year, and use it to prepay your mortgage, you'd still end up saving \$20,690. In this situation you'd repay each year the \$1,000 borrowed — at \$89.56 per month — in addition to making your mortgage payments of \$207. (The table on page 154 gives another example.)

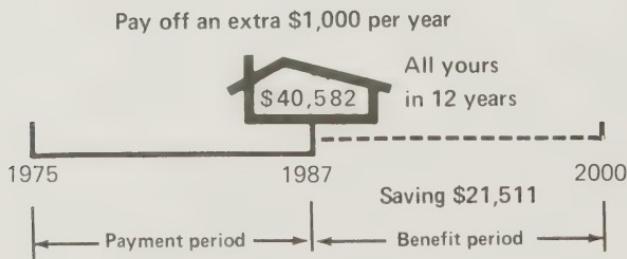
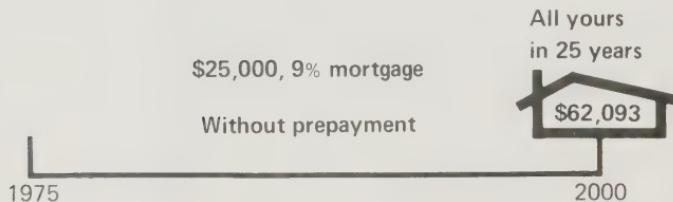
"People find this difficult to comprehend because the decision to make investment choices is usually governed by the simple arithmetical comparison of interest rates," argues Robert Yeaman, manager of Finance Services Ltd. — a computer service bureau that provides mortgage analysis for homeowners. "But in this situation the saving results from the contraction of the amortization period," Yeaman points out.

However, the seemingly beneficial aspect of prepaying your mortgage is complicated by the fact that you're paying in money at the beginning of your mortgage term to get money at the end. This creates two series of cash flows. The first represents your additional investment of \$1,000 per year for the first 12 years, the second represents the benefits created by the interest avoidance, starting (in our example) from the 12th year.

How do you compare a stream of future benefits against a flow of current payments? One way is to bring both to present values. Using a set of annuity tables and discounting the stream of payments avoided between year 12 and year 25 at 8% (8% is the discount rate arbitrarily selected to reflect the rate of inflation and the risk of waiting to secure the benefit), the present value of your future benefit is \$7,776. Or, put another way, receiving \$7,776 today is equivalent to receiving at the end of 12 years \$21,511 paid in monthly installments over a 13-year period.

Using the same principle and the same rate of discount, the cost of your investment of \$1,000 per year for 11 years is \$7,138. The ratio between the two series of cash flows is the net yield on a present value basis: Net yield = (the present value of your future benefit) divided by (the present value of your current payments). In this example it's 1.09%.

So the net yield on a present value basis is equivalent to the



mortgage rate minus the discount rate, which is your estimation of future uncertainty over inflation et al. So if, in our example, we'd selected a 5% discount rate, the net yield would have been roughly 4%.

But most long-term investments should be measured against some kind of discount rate too. So, to analyze how investing in your own mortgage stacks up against alternative investments, it may be better to compare future benefits.

As an example we assume that Mr. Jones and Mr. Smith each invest \$1,000 per year for 12 years.

Mr. Jones puts his investment in his 9%, \$25,000 mortgage, paying it off in 12 years. He then puts the money he has avoided paying on his mortgage into an investment that pays him an after-tax yield of 10%. At the end of 25 years he will have accumulated \$67,628.

Mr. Smith, meanwhile, puts his \$1,000 per year for the first 12 years in an investment that pays him an after-tax yield of 10%. If he stops that investment after 12 years and allows the interest on his investment to compound, his accumulated investment at the end of 25 years will be \$70,308. So Mr. Smith will earn \$2,680 more than Mr. Jones.

However, if Mr. Smith's pre-tax yield is 10%, but after the payment of taxes his yield is 7%, then the amount he'll accumulate in 25 years will be \$42,817. Since Mr. Jones doesn't pay taxes on the benefit he receives from investing in his own mortgage, his total gain in 25 years will be greater than Mr. Smith's.

But there's a further complication — the \$1,000 tax credit on interest or dividend income. With that benefit, Mr. Smith would begin paying tax on his investment in the seventh year. However, if Mr. Jones takes the cash flow he receives from the 12th year onwards, and invests it, he wouldn't begin paying taxes until the 15th year. This leaves him in a better situation relative to Mr. Smith.

From this follow certain conclusions:

— That the maximum you can earn from investing in your mortgage is the rate of your mortgage. Thus, you'll never be able to do better than 11% on an 11% mortgage.

— If an alternative investment gives you an *after-tax* return that's greater than your mortgage rate, then it's not advisable to invest in your mortgage.

— Conversely, if your mortgage rate is greater than the after-tax rate that you can get on normal investments, then you might consider investing in your own mortgage.

So somebody with a marginal tax rate of 50% (a resident of British Columbia or Ontario, for instance, with taxable income of around \$28,000) who decides to prepay \$1,000 each year on a 9% mortgage would have to earn 13.4% on, say, his preferred or common dividends to obtain an equivalent future benefit.

Following are some *disadvantages* of investing in your own mortgage:

1. You don't receive the benefits for a number of years, at which time the benefit received is equivalent to the payments you would have made in those years.

2. The benefit is inflexible because it's limited by a certain maximum rate of return. You can't occasionally update your investment to take advantage of higher interest rates. For instance, if, 10 years ago, you'd started paying off your 7% mortgage, then

the maximum benefit you'd be receiving today would be 7%.

As Nicholas Davy, a Toronto financial analyst who has made a special study of these situations, says: "When you lock yourself into paying off a mortgage, you have a very definitive, deterministic calculation. There's nothing you can do about it. You'll get whatever the mortgage rate is, minus the rate of inflation, but you'll never get more than the mortgage rate."

3. Since Canadians move, on average, every five years, there's not much to be derived in terms of interest avoidance for the typical homeowner investing in his own mortgage.

4. If you intend to move within a few years of purchasing your home, a large open first mortgage can sometimes facilitate a sale. Prepaying could weaken this advantage.

5. Unlike stocks or a bond bought at a discount, investing in your own mortgage allows no opportunity for capital gains.

6. You forego current cash flexibility, because, in terms of your mortgage contract, your installments remain fixed (only the amortization will vary).

And these are some *advantages* of prepaying your mortgage:

1. You'll secure a future rate of return (in dollar terms) equivalent to your mortgage rate.

2. It provides a secure vehicle for investing excess funds.

3. There are no commission charges or broker's fees (although with some mortgages a penalty is imposed for prepaying).

4. The benefit you derive from your investment is tax-free. So, unless you can shelter any alternative income from taxation, the net disposable funds available from that income at the end of the period could be much less.

5. You're less exposed to the risk of alternative investments, such as stocks, because you're *guaranteed* an actual dollar saving in the future.

6. Although nobody wins with inflation, technically inflation might hurt a mortgage less than it does other investments. Yeamen sums it up this way: "Since an investment accrues with time, its present worth is minimized by inflation."

7. It could offer security-minded homeowners an emotionally satisfying experience.

When is it most prudent to pay your mortgage? If the mortgage debt is relatively large. If the amortization period has a long way to run — and particularly if the mortgage rate is relatively high.

What prepayment facilities do you normally enjoy? While second mortgages are usually open, a number of first mortgages stipulate that the borrower just can't automatically increase his payments each month. However, some first mortgages contain anniversary prepayment privileges. Once a year, a borrower may be able to pay specified additional amounts on his mortgage.

For example, conventional first mortgages through many banks may be prepaid in the first three years. Upon request, however, you may be allowed to continue prepaying as much as 10% of the original amount of the loan.

## **How prepayments can reduce a mortgage**

25-year mortgages amortized over 25 years:

	\$25,000 @ 9%	\$40,000 @ 10%	\$60,000 @ 11%	\$80,000 @ 12%
Monthly payment.....	\$207.00	\$357.80	\$577.53	\$825.52
Total cost of mortgage ...	\$62,093.72	\$107,333.32	\$173,239.77	\$247,654.95

**If payment of an extra \$20 a month is made:**

Revised cost of

mortgage ...	\$51,537.00	\$92,850.99	\$154,215.16	\$223,615.21
Net reduction..	\$10,556.72	\$14,482.33	\$19,024.61	\$24,039.74
Mortgage paid off in ..	19 years 6 months	20 years, 7 months	21 years, 1 month	22 years, 1 month

**If an extra \$1,000 is paid each year:**

Revised cost of

mortgage ...	\$40,582.07	\$74,463.27	\$126,505.55	\$186,133.11
Net reduction..	\$21,511.65	\$32,870.05	\$46,734.22	\$61,523.84
Mortgage paid off in ..	11 years, 11 months	14 years, 1 month	16 years, 2 months	17 years, 1 month

## **Is it worth borrowing to prepay a mortgage?**

	Mortgage: \$25,000 @ 9%	Mortgage: \$40,000 @ 10%
Monthly payment on 25-year mortgage .....	\$207.00	\$398.83
Total cost of mortgage.....	\$62,093.72	\$119,639.81
Monthly cost of borrowing a \$1,000 prepayment each year @ 13½% and repaying it that year .....	\$89.56	\$89.56
Revised cost of mortgage (cost of borrowing prepayments included).....	\$41,402.89	\$80,135.17
Net reduction.....	\$20,690.83	\$39,504.64
Mortgage paid off in.....	12 years	14 years

## Further on mortgage prepayment

The following is excerpted from "Perspective on Money", Vol. 1, No. 1, published by Financial Times of Canada. It is part of an article by Anthony J. Patterson.

### *5. Use today's dollars to pay future debts.*

Dollars in 1975 are more valuable than they are going to be next year. Here is the effect that prepaying can have on something as common as a home mortgage. This example assumes that the home has a current market value of \$60,000. The mortgage is \$35,000 at 10%. The only variable is the rate of payment of principal and interest on the loan.

Payments (per month)	No. of years to pay off mortgage	Total interest paid
\$325	22	\$53,264
\$350	19	\$41,202
\$375	16	\$34,169
\$400	14	\$29,412
\$450	11	\$23,276
\$500	10	\$19,424

By spending \$175 a month more, you will own the house outright 12 years earlier, at a saving of about \$34,000 in interest charges. Theoretically the saving is not that great, because the money that is prepaid might have been invested to produce a return, but in practice prepaying a mortgage is often the most agreeable and profitable enforced savings program available.

# Buying Out of Province

Buying out of Province



# Foreign Land

## Definition

- land or condominiums located outside the province of Ontario, whether within Canada or in another country, offered for sale to residents of this province.

## Regulations

- any company wishing to offer a project of five units (houses, lots, condominiums, etc.) or more must apply for registration with the registrar of real estate and business brokers, Ministry of Consumer and Commercial Relations, Ontario.
- the ministry requires full disclosure of the facts about the project to be printed as a prospectus.
- full disclosure is ensured by a personal inspection of the property. The ministry inspector goes to the site and walks, drives or flies over the entire property. The cost of this inspection is paid by the company wishing to file.
- a report is then made to the registrar for acceptance or rejection.
- if the project is accepted, a certificate of acceptance is issued to the vendor. This states that "what the vendor is offering does in fact exist."
- all sales, rentals and promotional efforts must be handled through a registered real estate broker in the province of Ontario.
- this ensures protection under law for Ontario buyers in case of default or problems with the transaction.
- the broker is required to give a copy of the prospectus to prospective buyers. They must sign a receipt for the prospectus. The broker must keep this receipt on file for three years.

- if the broker fails to give the buyer a copy of the prospectus and the buyer later has a legitimate reason for wishing to back out of the transaction, the ministry can require that the buyer receives a full refund of money paid out.
- it's not illegal to buy from unregistered vendors or while vacationing away from home but remember, it is your own risk!

#### Advertising of foreign lands

- any advertising done in an Ontario publication is submitted to the office of the registrar for approval.
- once an advertisement has been approved, it must carry a number beginning with the letters "OA" (Ontario approval).
- when you see an advertisement for lands or properties located outside the province which carries this number, you know that it has been inspected, the facts are correct, both the vendor and the broker are registered and therefore subject to control of their business practices in the province. This is your assurance that you can obtain redress should the vendor default on the deal or some legitimate problem arise.
- if you do not see a number, you are asked to report the advertisement to the office of the registrar by phone or in writing. This helps the registrar protect the rights of Ontario residents when dealing with sellers outside the province.

Advice from the ministry

- don't buy sight unseen. Go and look at the property. Developers will often help serious buyers with the cost of air fare.
- don't buy from an unregistered developer. If you have problems or want further information, call one of the following persons:

Mr. J.P. Cox, registrar

Mr. A.A. Stapells, foreign lands investigator

Mr. J.R. Cook, foreign lands officer

Phone: (416) 965-2504

5th Floor

555 Yonge Street, Toronto



# Laws

Laws



## **Ontario Landlord and Tenant Act**

- covers residential tenancies whether or not there is a written agreement.
- sets out the rights and obligations of landlords and of tenants.

## **The Ontario Real Estate and Business Brokers Act**

- provides for the registration and bonding of real estate brokers and salesmen, inspection of registrants and handling of complaints.
- regulates the sale of foreign lands advertised in the province to provincial residents.
- sets out educational requirements for salesmen and brokers. A training course approved by the ministry is mandatory.
- under this Act a real estate broker is deemed to be a mortgage broker.
- administered by the registrar of real estate and business brokers of the Ministry of Consumer and Commercial Relations.

## **The Ontario Mortgage Brokers Act**

- provides for the registration and bonding of mortgage brokers, written examinations and inspections.
- permits the handling of complaints.
- controls the extent of non-resident ownership of mortgage broker operations.
- administered by the registrar of mortgage brokers of the Ministry of Consumer and Commercial Relations.

## **The Ontario Business Practices Act**

- described in the credit section.

## **Residential Premises Rent Review Act**

- establishes a system of controls over the amount of money a landlord may charge for a residential unit.
- the Act became law on December 18, 1975 but was made retroactive, so that rents charged from July 30, 1975 came under this legislation. Amendments passed in April 1977 extended the program until December 31, 1978.
- the rent review legislation permits landlords to increase rents by 8% without having to seek permission from a rent review officer. This is called the 8% "guideline". However, tenants can protest increases of any size through rent review.
- when landlords wish to increase rents by more than 8%, they must justify the increase at a hearing to which the tenants are invited.
- rent increases for the unit, whether within the guideline or ordered by a rent review officer, are permitted no more than once every 12 months.
- the Act establishes the cost-pass-through principle. It permits increased costs sustained by the landlord for specified purposes to be passed through to the tenant in the form of increased rent.
- it permits a landlord to maintain but not increase his profit level through rent review. Landlords who prove they are in a financial loss position are permitted -- through increased rents granted by the rent review officer -- to break even.
- landlords must provide detailed cost/revenue data, original bills, mortgage documents and any other relevant information requested by the rent review officer.

- tenants are invited to take an active role at hearings, which resemble informal commissions of enquiry and are not courts of law.
- the Act covers most types of rented residential units, including houses, apartments, rooming houses and mobile home sites. Rent-gearied-to-income units are excluded, as are certain non-profit housing, non-profit cooperatives and units in hotels, motels or vacation homes rented for not more than four months.
- new buildings -- unoccupied as rented residential premises before January 1, 1976 -- are not covered by the Act.
- rent review establishes rents for a residential unit of space, not for the individuals who live there.
- the legislation covers all kinds of tenancy agreements, written (leases), verbal or implied and for any periodic tenancy, including monthly, weekly and daily.
- tenants may claim increases of rent by reason of the landlord's discontinuance of a "service, privilege or thing". Charges for "extras" such as swimming pools, parking and recreation centres are usually considered part of the rent.
- landlords requesting rent increases must abide by the requirements of The Landlord and Tenant Act: at least 90 days prior to an increase they must provide tenants with a notice of the increase in writing. They must also provide written reasons for it.
- sublet premises are also covered by the Act. Tenants may not sublet their residences for more than they themselves are lawfully paying.

- any landlord or tenant who is not satisfied by the outcome of a hearing before a rent review officer or people unable through no fault of their own to be present at the original hearing may request a new (appeal) hearing before members of the Residential Premises Rent Review Board.
- punishable offences under the Act include charging rents in excess of what the Act allows, knowingly withholding information requested or giving false information and refusing to file applications for rent review when asked to do so.
- maximum fines for corporations convicted are \$25,00 and for individuals \$2,000.

Reference: For more information, write, call or visit your local Rent Review office. Consult your telephone directory or dial directory assistance for the telephone number. Rent Review head office is at 77 Bloor Street West, Toronto, Ontario.  
(Telephone: (416) 923-1199).

## The Condominium Act

- The Condominium Act of Ontario was enacted in 1967 to provide a statutory framework within which this form of property ownership could be established.
- The Condominium Act is mainly concerned with the registration of a condominium as a legal entity but as the interest in condominiums has grown, the Act has been amended to include consumer protection measures.
- the Ministry of Housing, plans administration division, is responsible for approval of condominiums in principle. The Ministry of Consumer and Commercial Relations, property rights division, is responsible for the final approval for registration of condominiums and for the overall administration of the Act.

Additional Information: The Ministry of Consumer and Commercial Relations - (416) 965-3250.

# The Ontario New Home Warranties Plan Act

- provides for the registration of all builders of homes and condominiums.
- provides a warranty that homes and condominiums started after January 1, 1977 will be free from defects in materials and workmanship for one year and from major structural defects for an additional four years.
- downpayments or deposits made by the buyer to the builder are protected to a maximum of \$20,000, as are replacements or repair of structural defects.
- if the home is sold, the balance of the warranty is transferred to the new owners.
- provides for conciliation of complaints. Upon payment of a \$50 fee by either party (refundable if grievance is valid), a conciliation inspector will be sent to mediate, and will provide a decision within 14 days. Either party may appeal to the Commercial Relations Appeal Tribunal.
- administered by the HUDAC New Home Warranty Program, a non-profit corporation.

Additional information:    HUDAC New Home Warranty Program  
(head office)  
180 Bloor St. West, Suite 702  
Toronto, Ontario M5S 2V6  
(416) 922-3005

For regional offices in Ottawa,  
Toronto, Hamilton, Kitchener,  
Thunder Bay and Sudbury, consult  
your local telephone directory  
listings.

## **Other Laws**

Other Ontario laws which relate to real estate and are administered by the Ministry of Consumer and Commercial Relations:

- The Boundaries Act
- The Certification of Titles Act
- The Land Titles Act
- The Registry Act

Federal laws:

- The Interest Act.

# Case Histories

Case Histories



## Case History#1

Right? Right!

Charles Morgan and his wife at last had their financial affairs in pretty good shape. They didn't owe any money except on the mortgage and they had some equity in the house. They didn't have any savings but they decided to take a winter vacation in the south this year, so Charley went to get a \$2,000 second mortgage on the house. He thought that would be good collateral and that they would probably get the loan quickly.

The man behind the desk looked Charley over. "Why sure," he said, "we can let you have \$2,000 but we're not a charitable institution, you understand. Our rate of interest on this mortgage will be one per cent." He shrugged casually, "Now, that's not very much, but we do have to make a living." He reached into his desk for a pad and pencil. "Let's see. One per cent of \$2,000 is \$20, right? Okay, so we'll figure this out at \$20 interest a month. This is a five year loan so we'll multiply \$20 by 60 months. That makes ... total interest ... \$1,200. Right?"

Charley nodded in some confusion. It sounded right, but...

The lender rushed on. "Now, let's take a look at the situation here. You want \$2,000 in cash? Going to take a little vacation, eh?" He smiled sympathetically. "Yessir, well, you've worked hard ... so you want \$2,000 in cash, we'll add the \$1,200 interest to this and make a

mortgage for \$3,200. We've already included the interest in this figure now, haven't we? You said you could pay \$50 a month, right? Well, if you multiply \$50 by 60 months, it comes to \$3,000. So if the mortgage is for \$3,200 you'll still owe us \$200 on maturity. Not too much is it?

"All right. Now, here's your \$2,000 cash and you've signed the agreement to pay \$50 a month for five years. Just one more thing now, there'll be \$35 for legal fees and you're on your way."

Charley reeled out with \$2,000 in his pocket and a feeling like the bottom had dropped out of his stomach. What the heck, he and his wife had never had a real holiday ... it had to be legal ... he didn't realize until long after the vacation was a fading memory that he had signed a mortgage for \$3,200 but received only \$2,000 in cash. Because the mortgage was written for a larger amount, the lender sold the paper to an investor at its par value as a \$3,200 mortgage at 12% for a term of five years. The original lender made an immediate profit of \$1,200.

At the end of five years Charley thought he would still owe \$200 because the lender had told him that the interest was precalculated and the instalments on this figure were just \$50 a month. He didn't realize that the investor who bought his mortgage understood that the \$50 a month payments were instalments of blended interest and principal on a \$3,200, 12% mortgage. A look at an amortization table will show that a mortgage of this size and interest

takes eight years to pay off, not five and at the end of the five year term Charley will still owe \$1,600.

Charley never did come to the Ministry of Consumer and Commercial Relations for help. Many of those who do never realize that they have been victimized by tricky arithmetic. Those who realize that they have been taken often don't realize that there are consumer protection laws in Ontario to guard against this sort of thing. Tactics of this sort are used every day on newcomers to the country who don't speak the language well and do not understand that the law can protect them. They are used on people who have lived quiet, well-regulated lives and have not had many dealings outside of the usual daily round. They are used on pensioners who are not familiar with the speed of today's world. And they are used on young people who don't stop to think, to read or to check with someone who could advise them.

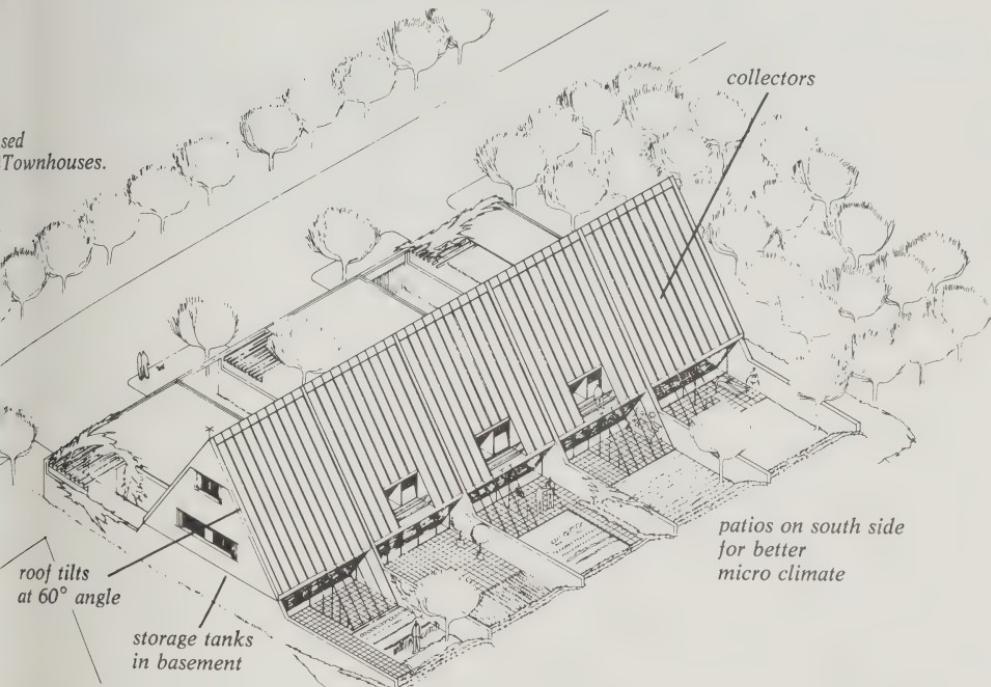
## The Best Things in Life Are Costing More All the Time

Not only are clean air and clean water at a premium but the fuels which we once took for granted are running low. Already parts of the United States have suffered real hardships when hit by severe winter storms.

In the future it may be as important to have the right kind of heating system as it is to have the right kind of mortgage.

The following article, "How new inventions may cut your fuel bills", by Orland French, gives a look into the homes of the future. It is reprinted with permission from Vol. 1, No. 1 of Perspective on Money, the quarterly magazine of the Financial Times.

# how new inventions may cut your fuel bills



By Orland French

Do you ever get the feeling somebody cares about the energy or any more?

The oil-producing countries are moving up, natural gas are on the rise, electricity is rising faster than the cost index and, almost as if to fit to injury, the federal government is now raking off another gallon in gasoline tax.

It's almost as if the most national and international are conspiring to drive us back to the horse and buggy, the meal and dinner by candlelight. In fact, it isn't quite that quietly, behind the scenes, efforts are being made to develop new sources and to tap new sources that will enable us to continue comfortably without exacting the world's fuel resources.

Some of the projects being worked on by governments and private industry are aimed at developing devices for the more efficient use of fossil fuels.

Others are probing the economic feasibility of tapping new energy sources - the wind, the sun and geo-thermal power, to name three. Solar houses have suddenly become a priority research item. Scientists have been tinkering with them for years, and a solar-heated house was constructed 18 years ago in Colorado.

But no one paid much attention to the idea when energy was cheap. Solar homes are expensive to build and involve some revolutionary changes in our traditional approaches to architecture.

Now, however, spiralling energy prices have changed the picture. Governments are increasingly interested in solar energy, Canada among them.

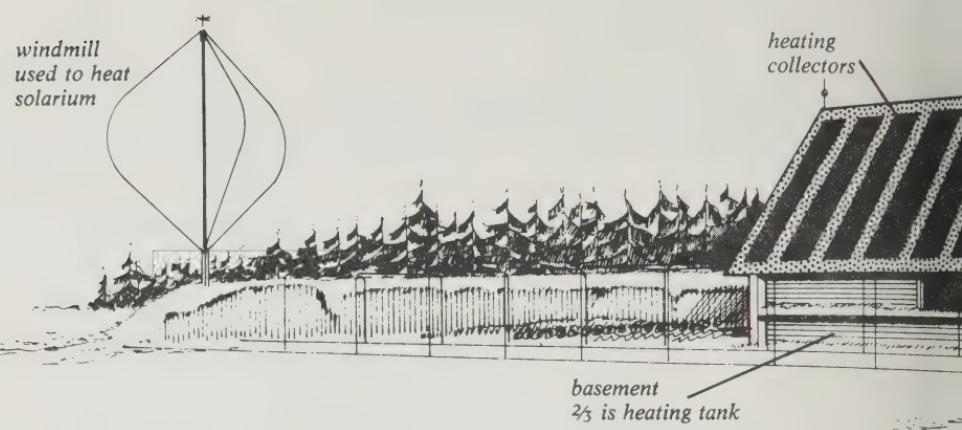
A senior official in the Ministry of Transport recently caused a minor stir when he revealed that Ottawa is contemplating switching to solar energy to power many of its marine lighthouses.

The federal government is also handing out thousands of dollars in grants to research groups seeking to build experimental solar houses in Canada.

The first Canadian solar house is expected to be operational by January. Built with the help of a \$90,000 federal grant and a \$50,000 grant from the Ontario government, it will be located near King City, 20 miles north of Toronto.

The building is named Provident House. The two-storey, four-bedroom home is being constructed by McClintock Homes Ltd.

"We hope that Provident House and similar developments by other people will demonstrate that, in the very near future, a solar-heated



### Provident House

ed house will become economically preferable to other forms of heating," says Prof. Frank C. Hooper of the University of Toronto, who designed the system.

"The house will provide a comfortable level of heat under all circumstances - independent of any fuel shortage or high costs - in perpetuity."

A windmill to heat a solarium is also being used at Provident House. This form of energy is being monitored as an alternative for hydro-electric power. Prof. Hooper says this will allow for a totally self-sufficient house in remote areas. The ideal retreat from the Apocalypse.

However, the cost would not make wind power feasible in areas where hydro-electric power is available.

Prof. Hooper is also developing a solar-heating system for a proposed townhouse complex. This concept means additional savings because of less heat loss from the collectors and storage tanks in the connected houses.

And recently, the Ontario Housing Corporation and the provincial Ministry of Energy invited proposals for the design of a solar-heated 30-unit senior citizen apartment building, showing that the province is serious about the whole idea.

Canada isn't the only country experimenting with solar heat. Extensive work is going on in France, where Electricité de France is building a dozen solar houses for experimental purposes and where solar homes are already functioning near a big solar energy laboratory in the Pyrenees.

In Israel, there is a solar water heater on almost every rooftop.

Extensive research work is also going on in West Germany, Japan and the United States.

Most of the experimental solar systems, including Provident House, store the sun's energy in water, collecting the heat through rooftop solar panels and transferring it to large tanks of water stored under or adjacent to the building. Through the use of heat exchangers, the energy collected during hot weather is drawn out on cooler days. With Canada's prolonged winter season, the system could probably not heat a house entirely, but it could cut significantly into the annual fuel bills.

Water storage systems pose several problems - where to put a tank big enough to hold the necessary thousands of gallons of water, how to keep the water from freezing in the pipes and how to guarantee the pipes won't leak.

The answer, says Dr. George

Lof who lives in the house, is to use an air system which won't freeze, if it becomes cold, and will not ruin the furniture and other household items. It is less bulky and costly than water tanks.

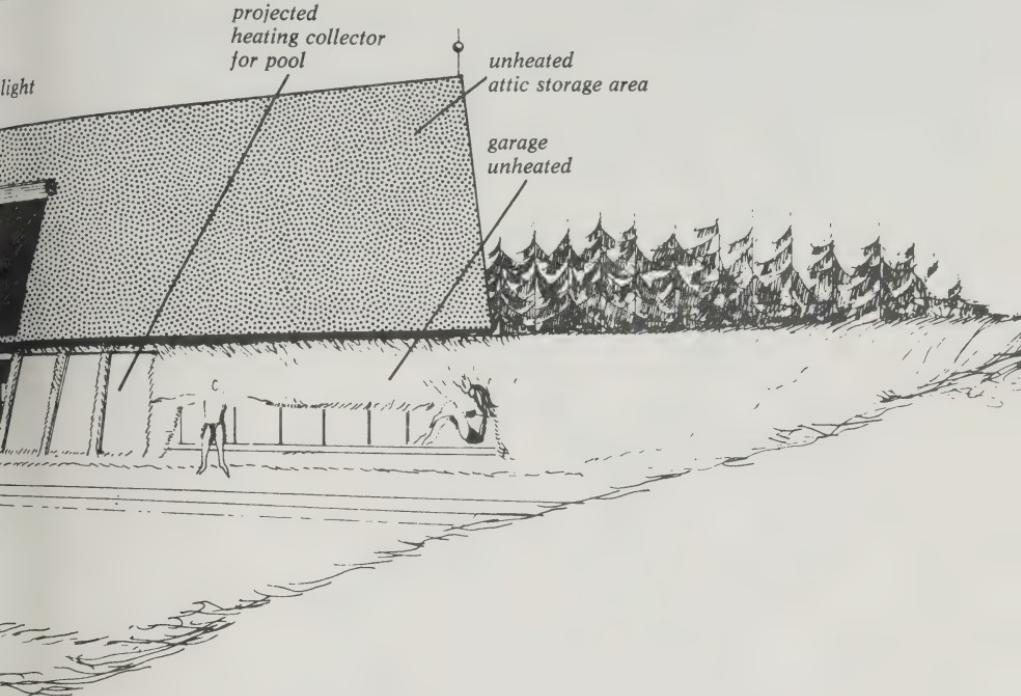
But there is still a problem with water storage, for Dr. Lof's system requires several tons of small tanks to store heat when solar energy is available and pumped around them when needed on cold days.

In the summer, the system works in reverse. Cool air is pumped through the pipes, drawing their temperature down. During the day, warm air can be taken from them and cooled down before being circulated through the house.

Dr. Lof estimates that this in Canada would cost about \$10,000 to 75% of the heating cost of an average home. He claims that there is no maintenance on his system after 18 years of use - though the pipes don't wear out!

A word of caution: Don't rush out shopping for water storage units - they aren't available in Canada. Ones built so far have a price tag of up to \$7,000 to \$10,000. They are all custom-designed and built to order. The price should fall.

Heat pumps, 1



devices which suffered a disastrous introduction to the heating field 20 years ago, have gained popularity. They've become more efficient and are less prone to breakdowns.

A heat pump is designed to work in providing warm air and to act as an air conditioner.

Inside, the pumps extract heat from outside air (there is heat in the air, no matter what it seems), thereby enabling us to consume less fuel.

They extract heat from outside and pump it inside, leaving the interior.

A recent advertisement for electric heat pump puts it: "It's a little strange, but it

Household Canada Ltd., Electric Company Limited and Industries (Canada) Limited stopped heat pumps in the early 1970s. They withdrew their products. This year again, although heat pumps are not cheap, they sell for only one in 100 sales. By 1980, the ratio will be

pumps are not cheap. "Glenfrietheron", for instance, is selling at around \$3,500. It uses less energy than conventional

tional air conditioning units or furnaces, which makes them increasingly attractive as fuel prices escalate.

While some of these projects, only science fiction a few years ago, may change our basic concepts of heating and cooling houses, there is a lot of experimenting going on in smaller ways.

Researchers in the federal Energy, Mines and Resources department have been boasting publicly about their "Blue Flame Project". They've built a little gadget which costs about \$1.50 to produce, and which fits onto a conventional oil furnace. It introduces an air swirl into the standard oil spray, and the fuel burns with a soot-free flame. Without soot, the furnace stays clean and burns about 10% less oil each year. That represents a \$40 saving on a \$400 oil bill.

The device would cost about \$15 or \$20 to have installed, but would pay for itself in less than half a heating season. It may be on the market in time for the winter of 1976-77, and already manufacturers are lining up to get a licence to produce it. EMR scientists have also been peering up chimneys and have decided that too much heat is lost up these vertical ducts. So they are working on a device which will recover heat which is normally lost in the furnace

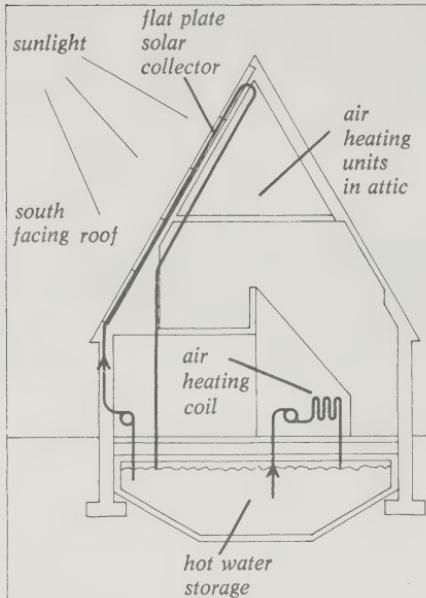
exhaust gases. In fact, larger versions of these heat recovery units are already being installed on many institutional buildings. The larger units can recover between 60% and 90% of heat which would otherwise be lost into the atmosphere.

Even when a furnace is off, valuable warmth is escaping through the chimney. This heat loss is well-known to people who own homes with fireplaces, and EMR researchers think the problem warrants automatic chimney dampers in all new houses. They're working on the idea but won't say when they will be ready.

At the National Research Council in Ottawa, scientists are also scrambling to find new ways to prevent heat from escaping from houses. Building codes have not changed much over the years because, as researcher C. J. Shirtcliffe says, insulation was all a matter of economics rather than conservation.

Energy was so cheap that it was less costly to burn oil than to put more insulation in the walls. Things are different now, however, and traditional methods of home construction are being re-examined.

The National Research Council has conducted extensive studies of the way we build our homes. Noting that not enough insulation



### How solar heating works

*When solar energy is available water is drawn from storage to collector, is heated in collector and returned to storage tank*

*When heat is required hot water is circulated to the air heating coil from the storage tank and the cooled water returned to storage*

can be packed into a four-inch thick wall, the NRC at one point was recommending using 2" x 6" studding.

These studs would be on 24" centres rather than using the conventional 16" spacing. The thicker wall and the additional space would allow for more effective use of insulating materials.

But builders have been reluctant to discard traditional construction methods and did not greet the idea enthusiastically.

As a result, the approach has changed. A committee made up of specialists from the NRC, the Department of Public Works, Central Mortgage and Housing Corporation and the Department of Energy, Mines and Resources is now proposing that standards be set for maximum permissible heat loss in new homes.

These standards would be incorporated into municipal building regulations, leaving it up to the architect and builder to decide how they should be met. If an architect wanted an unusual number of windows in a house, for instance, he would probably have to compensate with more insulation in order to meet the heat loss standard.

In that other area of high personal fuel costs, cars, similar advances are being made.

The day of the electric car may come sooner than we think. Several experimental programs are underway and some of the testing is being done by oil companies.

your car's battery, there is reason why you could not pick up an exchange.

Garages and service stations would sell you a new battery or your old in exchange and hook up for another customer. The process need take no longer than filling a gas tank, and could add a whole new dimension to the credit card.

Inventors are searching for any new transportation method that might prove feasible. Toronto man Anthony O'Donohue and University of Toronto professor Ralph Flanagan have applied for \$700,000 in federal funds to develop a hybrid flywheel-drive vehicle for commuter use. The flywheel concept has been explored in the past, but very few people have made a serious attempt to build a car using flywheel propulsion.

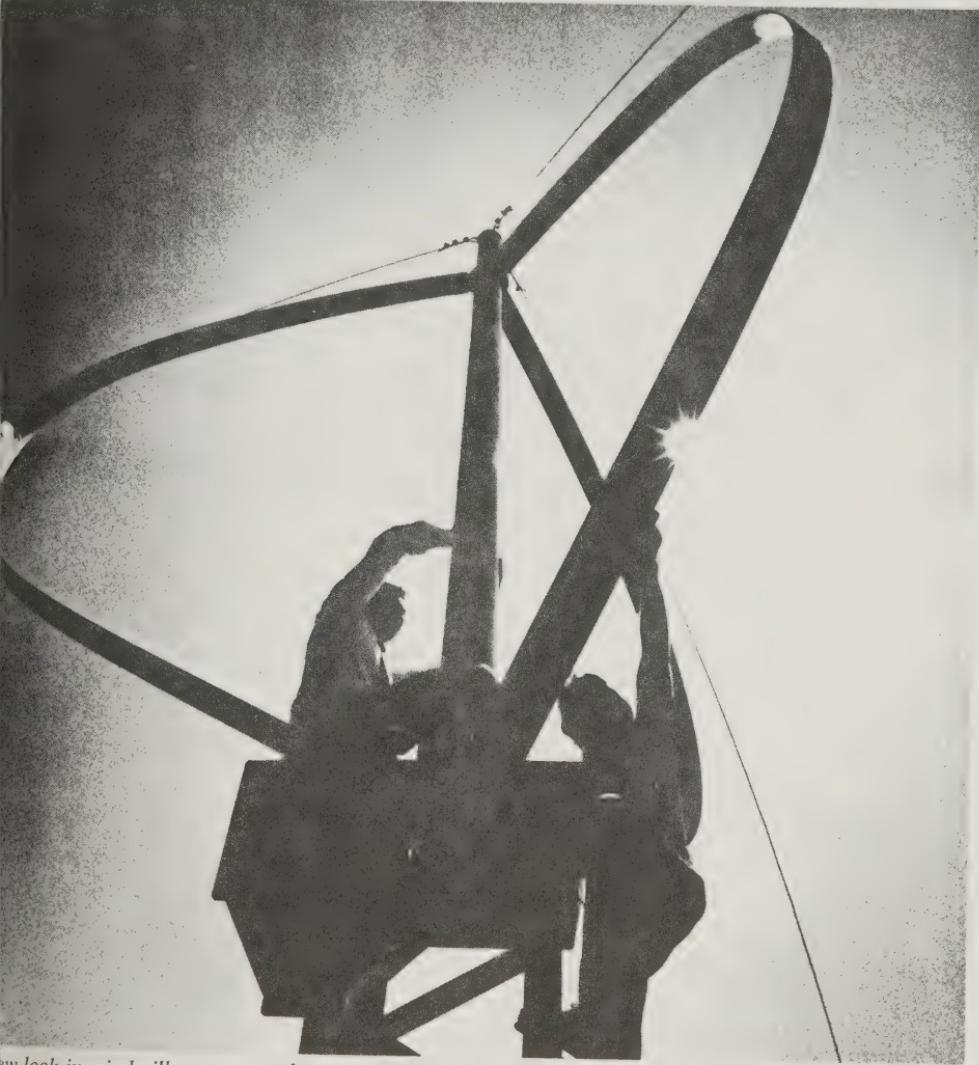
The key component is a flywheel-type central storage unit which can store the power to drive it coming from a diesel engine. When the car needs more power than produced by the engine, the excess would be stored in the spinning flywheel. When the car demands extra power, it can draw from the flywheel's reserve.

Mr. O'Donohue and Flanagan think their car could reduce fuel consumption by 50% and Canadian drivers \$2.1 billion a year — presuming we all drove electric vehicles. They also believe it would reduce carbon monoxide pollution by 90% in urban areas.

Another inventor has come up with a different spinning wheel idea. He has designed an electric car which relies on wind power. When the driver starts the car, he pushes a button and a small windmill pops up out of the front of the car to catch the wind. The energy is used to re-charging the battery.

It's doubtful if this will ever capture a big market, but windmills, once a common sight on farms across Canada, are becoming popular again. Dominion Aluminum Casting, a company in Toronto, is turning out 15-foot-wide masts for summer for domestic use. Some of the widespread use of electricity in the windmill in the 1930s and 1940s. These mills are the first commercially produced units in North America.

DAF's windmill is designed for use in remote and isolated locations. It is not completely self-sufficient: its vanes must be turned by a small battery-powered motor.



*New look in windmills may  
over for remote areas.*

mitated in output. When  
rise to eight miles an  
ll begin generating elec-  
ng out 3.5 kilowatts at  
four kilowatts at 110  
is enough to brighten a  
bulbs, heat a small stove  
refrigerator, but the mill's  
es in its role as accessory  
enerator.

windmill costs \$3,500,  
e expense of installation  
ge battery. DAF is cur-  
ning a 20-foot-diameter  
an produce more power.  
of these inventions are  
lications of some rather  
ces of energy. But re-

searchers are constantly looking for the more exotic sources, such as trapping and converting the methane gas in manure to light and heat farms.

It's called "pig power" in Manitoba where the Biomass Institute is heating barns with methane gas, and putting algae to work to turn the wastes into high-protein food.

Biomass is the conversion of animal or plant wastes to usable energy, either in gaseous or liquid form. The Biomass Institute was set up in 1971 to prod governments into releasing public money for grants to finance energy research.

Researchers also think we're wasting enough energy in the warm water discharges from nuclear generating plants to keep us all in light.

One scientist estimates that each year the waste heat in water used to cool Pickering's four nuclear reactors has an energy equivalent of more than 30% of Ontario's total electrical energy output for that year. The waste heat also results in thermal pollution, raising the temperature of Lake Ontario, with unknown environmental consequences.

Sources of energy like these remain virtually untapped, indicating that, in spite of our limited energy resources, we are still a wasteful society. But someone is doing something about our dilemma - if we can just keep enough fuel on the planet until we reach a breakthrough.

*Mr. French is parliamentary reporter for the Ottawa Citizen.*



# Topics for Discussion



## Do It Yourself Buying and Selling

The following newspaper articles may be helpful in providing further information for discussion on the buying and selling of houses.

Reprinted from The Toronto Star, March 20, 1976 issue, by kind permission.

# The purchaser must be on the alert

Buying a house from a vendor who is selling the house himself usually puts the buyer in an advantageous position. He is more likely to get a bargain than if the house were being sold through a real estate broker.

The first reason is that the broker or his sales people are experts. The do-it-yourself vendor is not.

Also the real estate broker and the sales people who represent him, are paid by the vendor and become

agents of the vendor. The law requires that an agent do his best to get the highest price possible for the vendor. If it can be demonstrated that he did not, he could lose his license and could be sued.

When dealing with a seller not represented by a broker, the first thing a buyer should do, is suggest that the asking price be dropped 5 per cent, or whatever is the amount of commission the broker would get.

Generally speaking, buying a house from an individual seller or one represented by a broker involves application of the same set of rules. The buyer must satisfy himself that the house is worth what he is willing to offer.

He must check the plumbing, the roof, the electrical system the furnace and insulation himself. The expression caveat emptor — let the buyer beware — should be kept in mind at all times.

### *on buying and selling*

Courses on problems related to buying and selling houses and other real estate are held from time to time by universities, community colleges, municipal recreation departments and other social agencies. None are available at this time but some will be repeated in community college summer programs.

A successful course on buying and selling a home concluded last week by Toronto Community Law School, which is affiliated with York University, will be repeated soon. For more information call 967-5183.

Consumers Gas starts a course April 21 entitled *Buying Your Home, What To Look For*. Call 492-5250.

# *How a salesperson can help you buy the house you want*

By STAN DAVIES

Star staff writer

Although a small percentage of resale houses are bought every year in the Toronto area directly from a vendor without the help of a real estate sales person, in most purchases of real estate a broker or one of his sales staff is involved.

Over the years the buying of a house has fallen into a sort of pattern, almost a ritual. It goes something like this:

A buyer looking for a house will start observing for sale signs and checking newspaper advertisements. When he or she sees a house advertised that appears in an affordable price range and has appealing qualities, the would-be buyer telephones the person and number identified on the sign or in the advertisement and usually makes contact with a real estate salesman, or saleswoman. About half of all real estate sales people in Metro are women.

The salesperson takes the buyer to see the house. If it is suitable, and financing can be arranged, a deal is made. But usually the first house is not suitable. Few people buy the first house they inspect.

After talking to the buyer during the showing of the house, the real estate salesperson forms an idea of what type and style of house the buyer wants, what he can afford and the most desirable location.

Often an astute agent will form a much better idea of what a buyer can afford than the buyer himself. The agent is more objective. The agent then volunteers to show the buyer more houses in the same price range, in the locations the buyer wants and of the type he can afford.

The agent has knowledge of houses listed not only from the listings of his own firm but from the Multiple Listing Service of the local real estate board. Most agents work in limited areas and

it is not uncommon for a real estate salesperson to know of every house listed for sale in his or her particular area.

After a short time of working together, the buyer now becomes the "client" of the salesperson. This is the expression real estate people use.

It is not to the advantage of a buyer to switch to another sales person, if the first one contacted is personable, helpful and friendly. It is not likely that one will know more than another and if the buyer switches, the second one must now take time to form an opinion of what the buyer wants and can afford.

No real estate agent worth his salt will show a potential buyer houses that are far out of his price range.

First, it is very difficult for a person to buy a house that is far over his head because no lending institution will give him a mortgage loan to buy it.

Second, a buyer who constantly sees houses that he can't afford becomes frustrated and discouraged.

A good real estate salesperson has to become very sensitive to the needs of the client or he will never close a sale.

Most resale houses in this area of Ontario are bought by clients of salespeople who have shown them everything that is available in the buyer's preferred area and within his price range.

Many second and third-time house buyers, who have become fairly knowledgeable in the ways of the industry, become a client of a salesperson as soon as they start looking for a house.

The salesperson will do all the searching for the client and show only those houses which are obviously suitable. Many sales people have several clients waiting for just the right house to come on the market.

# Here are six major points if you sell your own home

Selling your house yourself is much more than simply finding a buyer. If you choose not to engage the services of a real estate broker, you must do all the things that he would do for you to earn his commission.

These things fall roughly into six broad categories. They are: pricing the house right, advertising it effectively, showing the house, financing the sale, preparing the agreement of purchase and sale and closing the deal.

**PRICING:** This is important because a vendor naturally wants to get as much as possible for his house. He must also realize that a buyer wants to pay as little as possible. A real estate transaction is an adversary situation.

The best way to arrive at a reasonable price for a house is to compare the price you would like to get with prices which comparable houses in the same neighborhood were brought recently.

The comparative sales must be recent sales because prices of houses have been changing so quickly in most urban markets. Prices have been rising so rapidly over the past few years that a price that is a few months old is worthless.

Then, of course, no two houses are alike, so allowances must be made for different condition, location and physical features. When a reasonable figure is arrived at, add

another 5 per cent to give room for bargaining with a buyer.

**ADVERTISING:** The cheapest advertising is to put a for sale sign on the property. It will be seen by neighbors who will tell friends. It will also be seen by potential buyers passing by in cars.

In shopping centres that have community bulletin boards, put up a sign noting the best features of the property on the board.

Probably the most effective advertising is in newspapers. Real estate brokers spend a great deal of money on this type of advertising. What works for them will work for you. The classified departments of newspapers will provide assistance in wording an effective advertisement.

**SHOWING:** Always present your home in its best possible light. When a potential buyer is coming have everything clean, neat and tidy. Wash the dishes, hide the garbage, cut the lawn and clear junk out of rooms.

## Minor defects

Fix minor defects such as faulty door knobs, door bells, broken locks, leaky faucets and sticking doors. Remember that any buyer who can afford your house is probably as smart as you are. It will be difficult to hide things from him.

He will use every defect he finds as an excuse to beat down your asking price. It is very effective to list all defects, estimate the cost of repairs, then offer a reasonable price less the repairs.

In showing the house make sure the children are away. They are distracting to a buyer and have a nasty habit of blurting out embarrassing secrets about your home.

Don't argue with a prospective buyer. Make your selling pitch to the wife. Most real estate agents are convinced wives make the final decision in home buying. Ask yourself — what man would buy a house his wife didn't like?

**FINANCING:** This is the most difficult part of do-it-yourself house selling. Beware of a cash deal. A buyer with all cash will demand a big discount, then when

you pay off your mortgage you may find the lender wants a penalty or bonus. Sometimes cash sales are the most expensive for the vendor.

A better deal is a cash-to-mortgage sale. In this the buyer assumes your first mortgage and pays the difference between it and the selling price in cash.

## Details of sale

Most buyers do not have the down payment required for such a deal and will need further financing help. A vendor should contact a mortgage company or neighborhood bank ahead of time with the details of his sale and get some kind of commitment to the effect that the lending institution will finance a buyer.

**THE OFFER:** The best way to do this is to ask the buyer to have his lawyer draw up the agreement of purchase and sale. The second best is to draw up the agreement yourself, have the buyer sign it, then have your lawyer approve it before you sign it.

Agreement of purchase and sale forms can be obtained at most stationery stores. It's merely a matter of filling in the blanks as to price, mortgage details, closing date, location and description, then spelling out in detail all the things that you are willing to sell along with the house such as the electric light fixtures, hot water tank, drapes, etc.

**CLOSING:** Once both vendor and purchaser have signed the agreement of purchase and sale it is a binding contract on both. The deal has been made. After that a copy of the offer — which has to be made out in quadruplicate — is sent to both the vendor's and purchaser's lawyers who look after the legal technicalities.

Some of the details outlined sketchily here are expanded at great length in a publication called *Selling Your Own Home*, written by Robert M. Holland, a Toronto lawyer and former real estate broker. It is published by Clarke Irwin and sold at most book stores at \$6.50.



# Projects

Projects



## **1. Where to Live**

The following article "Where to Live", reprinted from *Business Week*, January 12, 1976, is a discussion of the relative financial merits of buying different types of housing and renting. The class could do local research to find parallel information on what is available in the area. The findings could be used for an article in a local paper or the school newsletter.

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# Personal Business

A BUSINESS WEEK  
SUPPLEMENT



Apartment?

Condominium?

Co-op?

## WHERE TO LIVE

The personal investment climate has probably never been murkier. And the murkiest investment of all—which also happens to be the biggest, single investment for the average family—is housing. Financially, are you smarter buying a house? A condominium apartment? A cooperative apartment? Or should you simply rent a house or apartment and sock your surplus cash into other investments? The options are numerous and complex.

Whichever way you lean—toward buying or renting—now is the time to consider the economics and investment opportunities involved in where you live. The best bargains are available at this time of the year, in advance of the spring and summer season when most people tend to look. By shopping now you can get

more attention from brokers, possibly swing a better mortgage rate than those projected four to six months down the line, and shave 5% or more off the selling price.

But be cautious. With a little luck and some shrewd dickering, you might get 10% appreciation per year on the right house or apartment. The wrong investment can eat you up alive. A new study by the National Assn. of Home Builders cites the soaring level of property taxes, mortgage money, insurance, heating, lighting, and other basic operating costs. Since 1955, the average cost of a new home has gone up 191%, while the total cost of operating the home has increased 303%. Meantime, average take-home pay has increased only 183%.

Like any other investments, the trick is

out the best buys. With the still sputtering between recovery, it is neither a nor a seller's market. It is more wld shopper's market:

**OR USED HOUSES** tend to be a more profitable investment than minimum or co-op apartment. On pages 82 and 83 tells some story. Over-all, the aftertax re-house investment might run her. However, both new and es are now priced to the hilt, rs have not been budging, not w-home builders, who are suf-

fering through their worst sales slump in 40 years. Rather than cutting their prices, they are cutting quality and chopping out the fireplace, garage, family room, and other frills. Typically, the value of a new or used house increases 7½% a year.

**CONDOMINIUM APARTMENTS** have lost their earlier popularity, which means there are some bargains around. While a condominium purchaser owns his apartment outright, he has only a joint share in the grounds, recreational facilities, and other "common areas." This means that he has little individual say or influence over the quality and maintenance of the common areas. If they slip, resale values could be affected. Yet there are definite benefits. A condominium buyer can often get by with a

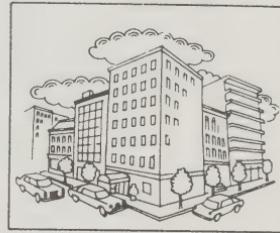
downpayment of only 10%, though the average on both condominiums and houses runs 20%. You also get the tax deductions and equity of a house buyer. As a realty investment, a condominium rates second-best to house, just ahead of a co-op. With the condominium market in the doldrums, average values barely held even in 1975, while many slipped 5% to 7%.

**COOPERATIVE APARTMENTS** are risky and increasingly out of favor. These hybrid ownership units, in which the customer buys shares in a building corporation, offer the financial benefits of tax deductions and equity build-up. But if the building corporation defaults on its debts, individual apartment owners could lose their apartments. Partly because of this, the interest rate on a

## FOUR SCENARIOS FOR BUYING OR RENTING

Where you choose to live—in a purchased or rented house or apartment—is largely dictated by lifestyle. But financial considerations are increasingly important. Below is a rough guide to the costs and benefits of buying or renting. The table, covering the options for a typical family of four in as many different income groups, is based on average federal taxes, a 7½% annual appreciation in property values, and a 9½%, 25-year mortgage with 20% of the purchase price as a downpayment and closing costs averaging roughly 2% to 3% of the purchase price.

Each scenario assumes that the rental family invests the money that it otherwise would have put into the downpayment and closing costs for a purchased home. The return is estimated at 10%.



### Income: \$25,000 / Home: \$40,000

	House	Condominium	Co-op	Or rent
Interest	\$5,200	\$5,200	\$5,200	\$5,200
Mortgage interest	2,946	2,946	3,186	0
Real estate tax	1,200	1,200	1,200	0
Total	9,346	9,346	9,586	5,200
Tax bill	3,025	3,025	2,964	4,352
Costs				
Taxes	175	175	175	75
Homeowner insurance	200	200	200	200
Real estate taxes	1,500	1,500	1,500	0
Maintenance	420	210	210	0
Utilities	840	600	600	840
Heating	1,200	800	800	0
Maintenance charge	0	480	1,600	0
Rent or mortgage payments	3,288	3,288	3,489	4,200
Total	7,123	6,753	8,074	5,115
Total costs (taxes and living expenses)	\$10,148	\$9,778	\$11,038	\$9,467
Equity				
End 1 year	+\$ 1,960	0	0	0
End 5 years	+\$ 9,300	0	0	0
End 10 years	+\$ 17,500	0	0	0
End 15 years	+\$ 23,800	0	0	0

### Income: \$35,000 / Home: \$50,000

	House	Condominium	Co-op	Or rent
Your tax deductions				
Exemptions and miscellaneous	\$6,000	\$6,000	\$6,000	\$6,000
Mortgage interest	3,682	3,682	3,983	0
Real estate tax	1,500	1,500	1,500	0
Total	11,182	11,182	11,483	6,000
Your federal tax bill	4,995	4,995	4,899	6,900
Your living costs				
Homeowner insurance	200	200	200	90
Real estate taxes	1,500	1,500	1,500	0
Maintenance	420	210	210	0
Utilities	840	700	700	840
Heating	1,200	800	800	0
Maintenance charge	0	600	2,400	0
Rent or mortgage payments	4,111	4,111	4,362	5,400
Total	8,271	8,121	10,172	6,330
Total costs (taxes and living expenses)	\$13,266	\$13,116	\$15,071	\$13,230
How your equity increases:				
End 1 year	+\$ 2,700	0	0	0
End 5 years	+\$ 15,400	0	0	0
End 10 years	+\$ 30,000	0	0	0
End 15 years	+\$ 43,000	0	0	0

## WHERE TO LIVE CONTINUED

co-op mortgage generally runs 10%. That compares with 9 1/4% for average house and condominium loans. In New York City, where 90% of the country's co-ops are located, the yearly swing in co-op values now runs from minus 10% to plus 5%. Most values are down.

**RENTAL APARTMENTS**, although plentiful in most cities, are the costliest form of housing. Figure \$100-and-up per room per month, compared with only \$75 or so per room for a house or apartment ownership. The biggest drawback in renting, of course, is that you build a pile of rent receipts instead of equity. This robs the renter of the inflationary hedge enjoyed by the house or apartment owner: a roughly 7 1/2% appreciation in property values or equity each year and a more stable monthly payment. The renter also pays taxes and mortgage interest without getting any tax deductions. All this may be fine if you are retired and not looking for equity or if you are a young executive who must remain flexible. For others, it is a high price to pay.

When you go looking for a mortgage—whether for a house, condominium, or co-op—do a lot of shopping. Mortgage rates are high, which bears directly, of course, on the ultimate value of your investment. Rates run from 8 3/4% to 9 1/4%. Lenders are more conservative than they have been in years. The old rule was that you could get a mortgage for a house worth up to 2 1/2 times your income. Now it is more

like 1 1/2 times. This ends up cutting your tax deduction, which is one of the biggest benefits of buying.

By shopping around, says a mortgage officer at a Connecticut savings bank, "you may save a quarter point. But at whatever rate, you will find the lender very concerned about your ability to pay off." To help you minimize that risk, the following articles examine the four main investment options involved in where you live.

### Tips on old vs. new homes

## The best investment is a blue-chip house

By almost any standard, the purchase of a house ranks right up there with the bluest of blue-chip stocks—if the buyer makes the right buy.

Say you earn \$40,000 a year and purchase a \$65,000 split-level in some nice, leafy suburb. You get a 9 1/4% mortgage, put \$13,000 or 20% down, and get an annual increase in property values of 7 1/2%. Your increase in net worth because of buying, instead of renting, will exceed \$3,500 at the end of the first year, \$20,000 after five years, and \$40,000 in 10 years. During that same 10 years, you would be able to take about \$50,000 in tax deductions.

Perhaps most important of all, you an annual return on your \$65,000 purchase price, assuming appreciation in property. The property appreciates 10% a year—and this is not at all unusual—you are ahead \$6,500. That gives you a 50% return on your initial investment. By comparison, the renter would get the same \$13,000 at 10% gets only \$1,300 in rent. "The buyer's leveraged big plus," says Richard C. Borchardt, who heads his own personal consulting firm in New York. "People tend to overestimate the feature people tend to overvalue."

For a home buyer, the choice comes down to an old, roofed-over with high maintenance, or a smaller, new house with more efficiency. "We compromised," says Dorr, "bought a 40-year-old colonial in Ashland, N.J., recently. It is a large, rambling house with high maintenance costs, but it is still a good buy," he says. "We looked at cost 25% more."

If the house is older and located in an established community where schools, roads, and other basic amenities are in, property taxes are more stable. They might even

### Income: \$50,000/ Home: \$70,000

When you buy a ...	House	Condominium	Co-op	Or rent
<b>Your tax deductions</b>				
Exemptions and miscellaneous	\$6,625	\$6,625	\$6,625	\$6,625
Mortgage interest	5,154	5,154	5,576	0
Real estate tax	2,100	2,100	2,100	0
<b>Total</b>	<b>13,879</b>	<b>13,879</b>	<b>14,301</b>	<b>6,625</b>
<b>Your federal tax bill</b>	<b>9,214</b>	<b>9,214</b>	<b>9,038</b>	<b>12,704</b>
<b>Your living costs</b>				
Homeowner insurance	220	220	220	100
Real estate taxes	2,100	2,100	2,100	0
Maintenance	600	300	300	0
Utilities	900	750	750	840
Heating	1,680	1,120	1,120	0
Maintenance charge	0	840	3,080	0
Rent or mortgage payments	5,754	5,754	6,106	6,600
<b>Total</b>	<b>11,254</b>	<b>11,084</b>	<b>13,676</b>	<b>7,540</b>
<b>Total costs (taxes and living expenses)</b>	<b>\$20,468</b>	<b>\$20,298</b>	<b>\$22,714</b>	<b>\$20,244</b>
<b>How your equity increases:</b>				
End 1 year	+\$ 4,420	0	0	0
End 5 years	+\$ 25,000	0	0	0
End 10 years	+\$ 49,400	0	0	0
End 15 years	+\$ 72,000	0	0	0

### Income: \$70,000/ Home: \$100,000

When you buy a ...	House	Condominium	Co-op
<b>Your tax deductions</b>			
Exemptions and miscellaneous	\$14,000	\$14,000	\$14,000
Mortgage interest	7,364	7,364	7,964
Real estate tax	3,000	3,000	3,000
<b>Total</b>	<b>24,364</b>	<b>24,364</b>	<b>24,964</b>
<b>Your federal tax bill</b>	<b>12,989</b>	<b>12,989</b>	<b>12,704</b>
<b>Your living costs</b>			
Homeowner insurance	275	275	275
Real estate taxes	3,000	3,000	3,000
Maintenance	720	350	350
Utilities	960	800	800
Heating	1,680	1,120	1,120
Maintenance charge	0	1,200	6,080
Rent or mortgage payments	8,221	8,221	8,721
<b>Total</b>	<b>14,856</b>	<b>14,966</b>	<b>20,341</b>
<b>Total costs (taxes and living expenses)</b>	<b>\$27,845</b>	<b>\$27,955</b>	<b>\$33,041</b>
<b>How your equity increases:</b>			
End 1 year	+\$ 7,450	0	0
End 5 years	+\$ 41,900	0	0
End 10 years	+\$ 84,400	0	0
End 15 years	+\$ 126,000	0	0

than those of a new house. houses built before World War II were sturdier, over-all constructed. There will be more rooms, some small ones that are family living," says Glenn Hodge Island builder.

## charm

in mind the age of the home can be a disaster on ice and repairs." Godden says the wiring, plumbing and heating systems. As a rule of thumb, a house more than 20 years old will cost two to three times as much to maintain, repair, maintain, and heat. In the \$50,000 to \$100,000 range, the difference can be up to \$1,500 a year or more. This does not include interior and basic renovation. A room costs \$4,000 to \$5,000 if painting is needed—or \$500 less. Get by with the existing, depending on how fancy you want it, a complete kitchen costs \$10,000. A rewiring job for an older house will set you back \$2,500. Blown insulation to cut heating and cooling will add \$2,500.

Old-line builders average new-home pur-

chaser starts off with good wiring, top-quality insulation, and efficient heating and plumbing systems. Architect Lee Duran of Wellfleet, Mass., says, "If you have heating costs in mind, what you want is a tightly built home"—meaning today's new, smaller, more compact models. "Where a new house falls down is in its execution," Duran adds. "The carpentry is apt to be poor." Prefabricated windows, for instance, can be cheaply made and poorly fitted, adding as much as 10% to heating bills.

For someone who wants the spaciousness of a house, yet yearns for city pleasures, there is the town house. The typical town house lets you put more money into internal living space and less into external visual features that go with the high costs of a suburban house. The town house can also be cheaper to operate. Because of common walls in row houses, heating costs often run 25% lower than in single-unit houses. The simpler construction of town houses can make their maintenance costs 25% lower. By living in the city, you eliminate commuting and the need for a second car. This alone can save you \$1,000 a year.

The hitch is that when you hire somebody for town house repairs, you pay top dollar in the city. Example: \$50 for papering a small bathroom—when you have furnished the paper.

"The trick is to pick the right non-renovated area," says architect James Ellison, research head of the American Institute of Architects in Washington. Ellison, who has renovated Capitol Hill

town houses, notes that renovation can sharply increase resale values. In one Capitol Hill deal, the buyer paid \$35,000 for a row house in 1973 and poured \$40,000 into renovation. This year he resold the house for \$110,000—wrapping up a neat profit of \$35,000. ■

## Beware of legal, resale pitfalls

## It's bargain time for condominiums

Theoretically, condominium apartments offer their owners the best of all possible worlds. Like house buyers, owners get the benefit of equity accumulation, tax deductions, and appreciation in property values. Yet they also get the free and easy life that comes with living in an apartment. For a common charge shared by all members of the condominium, somebody else fixes the faucets and mows the grass—if there is any grass.

On paper the economics are almost irresistible. Say you have a \$40,000 income and buy a \$65,000 duplex condominium in a successful development. You follow almost the same pattern as the house buyer: You put 20% down, pay an average 9 1/4% mortgage interest rate, and often wind up with a hefty appreciation of 7 1/2% a year.

The difference is your condominium "maintenance charge." This tends to

## come cheap s market

ex economics of where to nothing very complicated active apartments. You buy a house, get an owner's reciation advantages, and

often wind up with the highest-quality apartment on the block. Yet today co-ops rank at the very bottom as a housing investment. In New York, where 90% of them are located, there are few condominiums. So most people who want to buy an apartment end up buying a co-op, now selling at sharply de-

pressed prices. "We took quite a loss on a six-room co-op—the maintenance charges were too high," says Elizabeth Tozer, wife of a Manhattan banker. However, the Tozers bought another larger co-op. "In buying," she says, "we did rather well"—though she will not say how well.

Instead of a deed, a co-op purchaser gets a proprietary lease representing shares in a corporation that owns the building. For the co-op resident, the problem is today's weak market. Mortgages are seldom available at less than 10%, compared with 9 1/4% rates for most houses and condominiums. Property appreciation is also slight, and many values are down. A big part of the reason is high monthly maintenance charges. On a \$65,000 co-op, they might run \$250 to \$600 or more per month, compared with \$100 for a comparable condominium.

Yet many families prefer a co-op to renting. R. Malcolm Bauer, a New York real estate consultant, negotiated a \$50,000 price for a co-op on Manhattan's fashionable Sutton Place. "In the late 1960s," he says, "it had an asking price of over \$70,000."

co-op was a good buy—but not a steal for the James Tozers of New York.



Richard A. Coon

run \$60 to \$120 a month in condominiums in the \$50,000 range, with the average working out to \$100. That is 50% or more higher than equivalent expenses on a house. A \$40,000 executive buying a \$65,000 house could expect tax deductions, property appreciation, and other house-owning benefits to increase his or her net worth roughly \$3,500 at the end of the first year and \$20,000 after five years. For a condominium owner, however, the increase in net worth works out to about \$2,800 after one year and about \$18,000 after five years. If the condominium fails to appreciate 7½% in value each year—and many of them do not appreciate—the gain would be even smaller.

Right now the over-all market for condominiums is weak. While that is bad news for owners, it is good news for bargain hunters. However, beware of the staggering range in values. In Chicago, for example, the Plaza condominiums are moving briskly at \$40,000 to \$70,000 each. Sales are strong, too, at nearby Water Tower Plaza, where the average price runs \$210,000. Yet in the same part of the city, both Harbor Point and Warwick condominiums are in the doldrums.

### Hard to sell

"We've had dealings with more than 25 condominium developments recently, and only 25% have proved successful on resale," says Paul Hefele, a specialist in condominiums with Executrans Inc., a Connecticut consulting firm that handles executive relocations. Lyons Farms in Connecticut, Hefele notes, "is on the plus side. Units bought for \$75,000 two years ago have sold within the last three months for more than \$90,000. But that is a bright spot on an otherwise dim scene."

In Detroit, real estate broker Kenneth Gale says: "I have a seller now who paid \$30,000 a few years ago. She put \$7,000 into improvements and now wants to sell for \$33,000 and can't find a buyer." Adds a downcast owner in New England: "Boston buyers are shy of condominiums. There is so much bad stuff around."

"You need to shop with the same care as in buying a house," cautions Executrans' Hefele. "You'll want to pay \$100 to have the whole physical plant inspected and about 1% of the purchase price to have a lawyer screen the paperwork and prospectus."

The prospectus should provide for common title among all apartment owners over hallways, lobbies, grounds, the swimming pool, and other "com-

mon areas." Common ownership is normal, but sometimes the management company retains title. This limits the influence of unit owners on service.

Your downpayment should also go into escrow and not be used in the project budget. Otherwise, when you buy into an incomplete development, the builder might use your downpayment to finish up construction. Then if he cannot sell the additional units, you and other early buyers could be stuck in an incomplete project. This happens frequently, and owners have found themselves with little resale value. ■

### From \$60 to \$180 per room

## Renting: Flexibility and cash savings

"There may be no ownership in a rental apartment," a Baltimore insurance man concedes. "But there is the kind of flexibility I want." A retired Chicago businesswoman feels that renting is "for young couples without kids—and widows like me, on a very fixed income." In New York, a businessman recently decided to rent because of lures held out by the building management. "When we signed the lease at \$635 a month," he notes, "we were able to get two months rent free, plus construction of a wall and louvered doors that would have cost me \$700." Many others see renting as a way to sit out an overpriced market.

For whatever reason, renting still holds appeal for many people. In most large cities or their suburbs, you can figure to spend \$600 to \$800 a month on housing if you own a house or apartment in the \$40,000 to \$60,000 range. This comes to \$7,200 to \$9,600 a year. A comparable rental apartment—or house, if you can find one—will cost about 25% less, or roughly \$5,400 to \$7,200 a year. So while a renter sacrifices equity, plus deductions on mortgage interest and taxes, he gains more cash-in-pocket.

The higher a renter's income and tax bite, however, the more his cash advantage is eroded. At a \$30,000 annual income, figure a renter's cash-in-pocket advantage at roughly \$1,200 a year. At \$40,000, the cash advantage drops to \$800 or \$1,000. At \$70,000, the advantage drops to almost nothing.

Rental values vary widely throughout the country. In Boston, \$350 a month gets you a small, modern studio apartment in Beacon Hill or some other first-class section. In New York or Los Angeles, you may pay twice that for the same apartment in the same type of neighborhood. The country's

highest-cost cities—New York, Los Angeles, and Chicago—have charge of about \$100 to \$150 per month. Other Northern cities mostly run 10% to 25% less, and other parts of the country are down another 10% to 15%.

### Read the fine print

One thing that does not require urgency for analyzing is understanding your lease. "Be careful of escalation clause that lets the landlord raise the rent under certain conditions," warns Dorothy Johnson, a New York real estate broker. "I see this all the time." A heating placement or a boost in tax assessment, might constitute reasons for sudden rent increase. In the meantime, be aware of special and clauses buried in the lease—so-called "rug clauses" that require the tenant to cover his floors to muffle noise, as well as extra costs for hours involved with the gardener.

To minimize your personal risk, insist on a clause that makes the landlord's responsibility for decorating to be done. This painting, and the lease should specify the number of coats. It should also grant permission to make partitions or special lighting fixtures you want to install.

Above all, protect your financial interests by getting a lease cancellation clause. This provides that you can break the lease and pay a penalty of one or three months of rent. Or get a firm statement giving you the right to sublet at any time.

### More on real estate

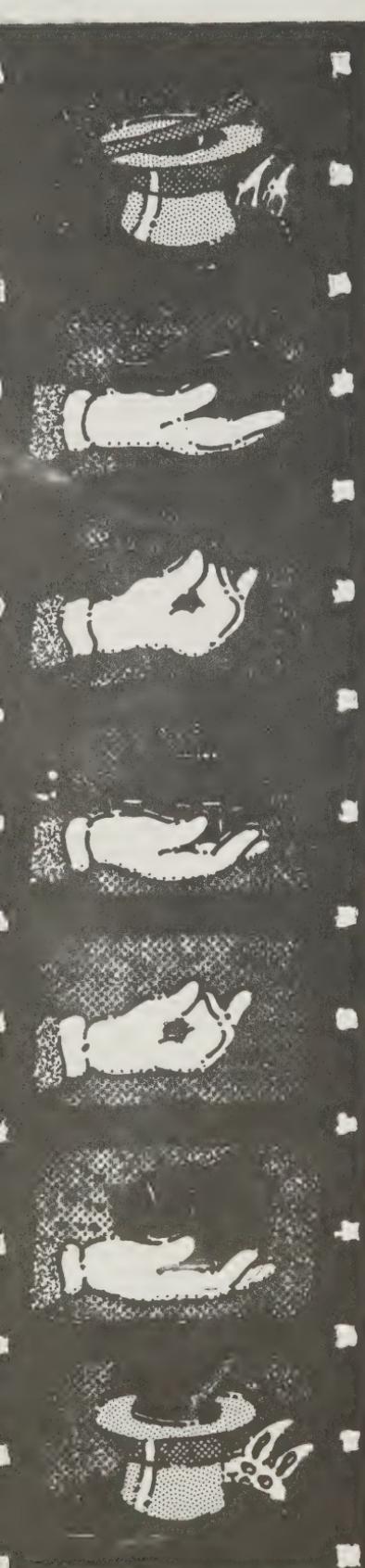
*Buy or Build? The Best Home Investment* by Laurence Reiner, tackles the alternative debated by many home buyers: whether to buy a standard house or hire an architect and have a custom-designed home. (Prentice-Hall, \$6.95). *How to Buy a House* by Joseph C. Davis and Clay Lockett, *Buying Your House* by John W. Emerson, *Home Renovation* by Emerson, (\$8.95). *Renovating a House* by Deidre Stanforth and Michael J. Mays, centers on the many pitfalls of home improvement. (Knopf, \$4.95).

For some lowdown on apartment problems, see Lee B. Slatin's *Apartment Condominium Book*, which shows how to get the most for your money while sidestepping the traps. (Dow Jones, \$10.95).

## **2. Real Estate—The Real Value**

One way to begin building financial independence is described in the following article entitled "How a Small Investor can Make Money on Rental Property". Having read the article, students could search for properties in their area which could provide such an opportunity. Interested students could go through the process of checking title, computing mortgage costs, outlining improvements and their cost and estimating the final outcome of such an adventure.

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## *How a small investor can make money on rental property*

MANY PEOPLE shy away from investing in real estate for good reasons. Unlike stocks or bonds, real property can't be bought and sold with a quick telephone call to a broker. You can't keep track of a property's value simply by consulting a published price list. And it's probably as easy to lose money on a property as it is with any other investment.

Nevertheless, one out of every five families own real property other than their own home, according to a survey conducted by the National Association of Realtors. Their holdings range from second homes used primarily for vacations to investments in commercial buildings.

More investors would undoubtedly be putting money into real property were it not for the belief that investing in real property requires a fat bank account. True, you do need more than the few dollars it takes to buy mutual fund shares. But you can break into real estate with a relatively modest amount of capital.

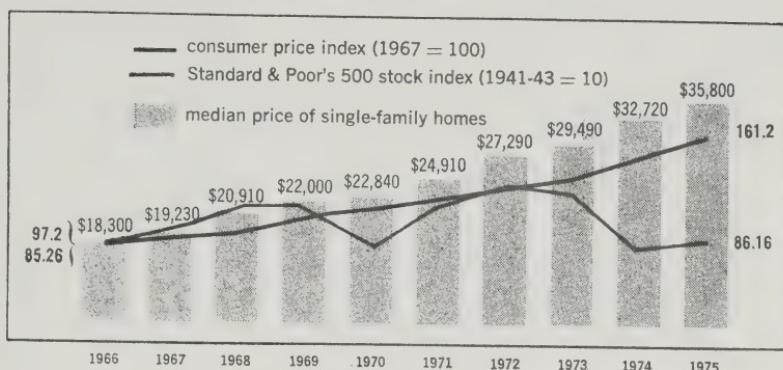
Before looking at how several investors operate on a large scale in residential properties, consider the advantages that usually attract investors into the field.

**Multiplying profits with leverage.** Normally, you buy property whether it's a house or a commercial building—with some of your own funds plus a long-term mortgage loan. That leverage, or the use of borrowed money for investment purposes, enables you to acquire a more expensive property than you could on your own.

But why borrow and pay interest to the lender? Because the larger the loan, the greater the potential gain. Say you purchased a \$60,000, one-family house with no loan and sell it for \$75,000. The \$15,000 gain represents a 25% return on your \$60,000 investment. Assume, instead, that you had invested only \$12,000 of your own money and borrowed the other \$48,000. Now you

## The price race: houses still ahead

any people, investing in a house—whether it is for family residence or investment—has provided a welcome hedge against inflation. This chart plots the movement in prices of existing single-family homes against the consumer price index and Standard & Poor's 500 stock index. House prices have almost doubled since 1966 and with a 66% gain in cost of living. The stock market advanced 1.06%.



15,000 on a \$12,000 investment, a splendid return (ignoring for the sake of simplicity both of the loan and the tax angles). The lender gets a share in your good fortune. He is entitled to interest on the loan and repayment of the principal.

Unfortunately, leverage also acts to deepen losses. For example, if you are forced to sell the \$60,000 for \$45,000, the \$15,000 loss wipes out all of your \$2,000 investment and you might have to dig another \$3,000 to add to the \$45,000 sale proceeds just to pay off the mortgage. The lender doesn't care about your bad fortune, either.

To mitigate that danger, canny investors often stretch the largest loan they can obtain. It is not at all unusual to place two mortgages on a property, a larger first trust and a smaller, shorter-term second mortgage.

**Full tax breaks.** Few, if any, other investments offer the tax benefits available in real estate. **Capital gains.** The profit made on the sale of a property held more than six months usually qualifies as long-term capital gain. Therefore, only half of the gain need be included with the income subject to regular income taxes.

**Amortizability.** While you own the property, operating expenses, mortgage interest payments, real estate taxes and other expenses can be deducted from rental income just as you would offset income with expenses of running a business. Amortization payments, which are the balance of the mortgage loan, can't be deducted, of course, because they are not actually an expense. On the contrary, they increase your equity in the property.

**Depreciation.** The crowning tax break, the one that distinguishes real estate from such investments

as stocks and bonds, is the right to deduct from income each year a certain amount of depreciation for the building and its equipment (but not land because land doesn't depreciate).

Keep in mind that depreciation represents a non-cash expense. You need not spend a cent for repairs or maintenance to claim depreciation. Nor does the property have to be deteriorating physically at the same pace at which you are depreciating it, although the rate must stay within Internal Revenue Service limits. The fact that the building's market value might be rising does not bar you from claiming a depreciation deduction.

If you buy the property from someone who has already depreciated it, you can start the depreciation cycle over again, as can the next buyer after you.

Depreciation helps create what real estate investors fondly refer to as a tax shelter because the effect is to shield part of your income from taxes. As an illustration of how the shelter works, consider these two accounting statements for a property producing \$2,600 rental income a year:

rental income	\$2,600
less:	
operating expenses	\$ 200
taxes	700
mortgage interest	375
amortization	300
	\$1,575
	<u>1,575</u>
	\$1,025

That \$1,025 is the property's approximate cash flow, the amount of spendable money left after paying all cash costs. Amortization is left in because it's a cash expenditure. Depreciation is left out because it doesn't require a cash outlay. To compute the

property's *taxable* income, depreciation is substituted for the amortization, as follows:

rental income	\$2,600
<i>less:</i>	
operating expenses	\$ 200
taxes	700
mortgage interest	375
depreciation	1,000
	<hr/>
	\$2,275
	<hr/>
	\$ 325

You now have only \$325 to declare as taxable income. The \$700 excess of depreciation over amortization has been sheltered from income taxes. For a person in the 40% tax bracket, \$700 of tax-free income is equivalent to \$1,166 in taxable income.

The government eventually recaptures some of the taxes given up through depreciation when a property is sold. Then, the depreciation is deducted from the cost of the property, thereby increasing the amount of taxable gain realized on the sale. But a good part or all of that gain will be subject to the lower long-term capital gains tax rates.

Some real estate deals appeal to high-bracket investors not because they yield any income but because they produce a loss that can offset income from salaries and other investments. That peculiar aspect of real estate operations is enshrined in the joke in which an accountant calls a rich client to warn him, "You're in trouble. The building is showing a profit."

**Protection against inflation.** The chart at the left indicates that house prices have generally kept up with or surpassed the rise in consumer prices and stock market prices.

Naturally, the averages used in the chart do not necessarily reflect the results for individual stocks or pieces of property. Real estate prices are strongly influenced by local conditions. Location counts heavily. Two identical houses one block apart might sell for widely different prices.

Nevertheless, real estate prices have risen steadily in so many parts of the country that investors, rightly or wrongly, have come to depend on capital gains for part of their investment return.

*Can you move into real estate and cash in on those benefits? The following examples will give you an idea of how it is being done by small-scale investors who are, on the whole, satisfied with their results. The names and a few identifying details have been changed. The situations are real.*

### **Up the price escalator**

SOME 16 years ago New York City employee Bill Casso moved into a \$34,000, two-family house,

owned and occupied jointly with his brother-in-law. When his brother-in-law moved, Bill bought him and rented the apartment.

By 1965 the market value of the house had increased so much that Bill was able to obtain a mortgage for \$34,000. With the help of the bank, left after paying off the old mortgage, he bought a new \$41,500 house for his own use and rented both sections of the old house.

So far, Bill has never had any problems renewing the mortgage. He rents out the two apartments. "They're so scarce around here that people come up to ask me when I'm going to have one free."

The property showed these results for last year:

rental income	\$8,640
<i>less:</i>	
interest, taxes, insurance	\$3,151
utilities	864
maintenance	240
repairs	760
depreciation	1,000
	<hr/>
taxable income	\$6,015
	<hr/>
	\$2,625

Bill is receiving slightly less in cash flow than he did last year because depreciation is running higher than the mortgage amortization payments. The reason is that for tax purposes he has been using an accelerated depreciation rate, which bunches depreciation allowances in the earlier years.

Bill believes he could sell the two-family house for about \$90,000. However, he plans to retain it now to avoid paying tax on the sizable capital gain, also to backstop his income when he retires in 15 years. As he puts it, "Who knows what shape the economy will be in by then?"

Meanwhile, he has just sold the \$41,500 house he has been living in for \$69,500 and bought another for \$78,000.

### **The house-shopper**

PETER WILLIAMS, a 36-year-old bachelor, has been investing in Washington, D.C., real estate almost entirely as a matter of family tradition.

"I come from a midwestern family. If there was any money to invest, it went into land or into farms. They distrusted stocks and I still do."

Peter's pattern has been to buy a house, live in it for a while, then rent it out and go on to the next. His initial venture, undertaken nine years ago with the help of an inheritance, was hardly encouraging. He paid \$32,000 for a run-down house in a down-town area; two years and \$4,000 later he gave up trying.

house and managed to sell it for what it cost once then the section has become fashionable people willing to restore homes of the early He wishes he had held on because prices been shooting up there ever since.

went on to buy two other rental properties, a single-family house and a \$54,000 townhouse with \$20,000 of his own money and the rest in ge loans. His theory: "I use as much leverage

ther, the properties produced a \$1,680 cash last year. Depreciation erased most of his net income, leaving only a few dollars subject to tax.

is determined this time to cash in on rising values in the area. He estimates that the use has already gone up to about \$72,000. Attorney who handles his real estate transac- s been urging him to broaden out by buying interest in one of the partnership syndicates set nance large projects. Peter prefers his small operation. "Those syndicates are a level of I don't know much about."

### **adder with \$1,500 steps**

A 25-year-old with a middle-income job run a 600 investments into ownership of a \$130,000 ent house in five years? Sure he can if he has sistance of Martin Richards and happens to Missouri town where houses are still avail- reasonable prices.

en traces his interest in real estate back to a economics teacher who was an ardent advo- investing in property. At a Sunday picnic in Martin, a friend and their wives started talk- the teacher and his views. The two families to pool their meager funds and try investing. at decision, made when Martin was 25 and er 24, sprang these developments:

Martin and his friend buy an old, two-story with three apartments for \$12,000, putting own and getting a loan from the seller. The pays \$720 a year net after all cash expenses. income is nil because of depreciation.

The partners purchase another house, with ments, for \$19,500. Again they put down and get a mortgage for the rest from the seller. \$1,200 a year. Taxable income, \$800.

For \$2,500 down, they buy an \$18,500 home. \$800 a year. Taxable income, \$250.

They acquire 53 acres of land for \$1,500 and a loan from the seller. "This was a bit of a

Martin says. "We were speculating on a

being put through nearby and it's been

### **An expert lists fundamentals**

Real estate conditions vary so much that what works in one area or one deal might not in another. Still, there are some fundamentals that can be applied generally. These suggestions for small investors in residential property come from Maurcie A. Unger, professor of real estate and business law at Colorado University Graduate School of Business Administration and author of several books on the subject.

- Select properties for investment in much the same way you would when buying your own home. The emphasis should be on location and the trend in neighborhood conditions.
- Compare prices of similar homes to make certain the property isn't overpriced.
- Be skeptical of a seller's assurance that you can raise the rent once you take over. If it's so easy, why didn't he do it? Compare rents for similar units nearby.
- Put everything you and the seller agree upon in writing.
- Make sure the agreement requires the seller to turn over tenants' damage deposits on closing title.
- Examine existing leases before closing.
- Keep loan payments within reasonable limits so you won't get hurt by occasional vacancies.
- Be wary of investing in property on which maintenance has been put off. The seller's income and expense statements could show a handsome return because he hasn't spent enough for repairs.
- Avoid single-family rental properties in a neighborhood where a majority work for the same company. If the company cuts back or closes, property values will most certainly decline.
- Unless the deal is especially attractive, don't buy condominiums for investment purposes. They're fine to live in or for vacations, but they haven't proved themselves as investments.
- Don't get involved in participations, the kind of arrangement in which a lender agrees to provide financing on the condition that he shares your rents or the capital appreciation on the sale or both. You take all the risk and the lender shares the profits.

1974. Martin and his wife buy a \$16,000 home on their own with their usual \$1,500 down and a loan from the seller. Cash flow, \$600 a year. Taxable income, none.

1975, October. Martin and his partner decide to divide two of their properties. Martin takes the house bought in 1972, his partner the one bought in 1970.

1975, December. Martin swaps the house split off from the partnership and the one he bought with his wife for a \$130,000, three-story residential building. The seller makes the deal possible with a \$99,000, 20-year loan.

The new property should develop a sizable income. Here are Martin's projections for 1976:

rental income	\$21,600
less:	
interest, taxes,	
insurance	\$ 9,782
amortization	1,618
utilities	4,200
maintenance	900
additional furniture for furnished apartment	300
	<hr/>
	\$16,800
cash flow	\$ 4,800

The heavy depreciation he expects to claim this year will reduce the taxable income to a bare \$418.

Martin does not intend to stop here. Having outgrown his \$1,500 down payment deals, he hopes to trade up to still larger properties.

### **The professional at work**

COMPUTER SYSTEMS consultant Walter Dougdale is a part-time real estate salesman, and like many real estate professionals he invests in property on the side.

He owns three houses with a group of real estate agents and another two, bought for \$67,000 with \$9,500 in cash, with his wife.

Walter screens his investments to meet three tests:

1. The houses must be relatively low-priced so they can be rented easily.

2. They must be located in an area where prices have shown strong growth.

3. They must be available for a small amount of cash. In most cases that means the seller must be prepared to take back a second mortgage.

"If the property is good on those grounds, we don't quibble about the price. My wife and I are in an over-40% tax bracket. We don't care much about income. We would rather have some tax shelter and long-term capital gains."

Walter is currently considering buying another single-family home offered at \$41,000. His cost estimates indicate that the house would not produce any cash flow at that price. However, with depreciation it could show an annual tax loss of about \$1,000, which he could use to offset income from his job and other properties. Buying the house would be worthwhile, he thinks, if the buyer could be persuaded to give him a \$7,000 second mortgage.

Now 57, Walter envisions collecting a group of properties that will help support him and occupy his time when he retires in eight years.

Those case histories do not necessarily demonstrate that anyone can make a go of it in real estate.

Indeed, when you invest in property, you are piling against many unforeseeable contingencies such as a deterioration in the neighborhood, an increase in taxes and other expenses, or a prolonged vacancy. Also, housing prices have increased much and so fast that it's difficult not to question whether the rise can long continue. At current price levels, owners sometimes can't charge enough to recover all their costs.

The people involved in these case studies, moreover, were prepared to work hard on their side investment activity. They investigated each carefully. They ordinarily managed the properties themselves, dealing with tenants and doing minor repairs.

They are different, too, because they have limited themselves to one segment of the real estate field—small residential units. You might find it preferable for personal or business reasons to look for opportunities in commercial properties, mortgages, real estate investment trusts or the syndicates for potential investments in large developments.

The books listed below will give you an idea of the scope of the real estate business, explanation of real estate fundamentals and advice on investment techniques. If you're interested in small residential properties, see the expert's suggestions at the left.

### **For more information**

Real estate brokers, accountants and attorneys can provide the detailed, expert advice needed for investing in property. However, you can also pick up a great deal of helpful information from books on the subject. Your local libraries might have some of the following ones available:

*The Dow Jones-Irwin Guide to Real Estate Investing*, by Chris Mader. Dow Jones-Irwin, Inc., 18 Ridge Rd., Homewood, Ill. 60430. Price: \$11.95.

*How to Buy and Sell Real Estate for Financial Security*, by Robert Irwin. McGraw-Hill Book Co., Distribution Ctr., Princeton Rd., Hightstown, N.J. 08520. Price: \$10.95.

*How to Invest in Real Estate*, by Maurice A. Ungar. McGraw-Hill Book Co., address above. Price: \$3.95.

*Investing in Residential Income Property*, by Douglas M. Temple. Henry Regnery Co., 180 N. Michigan Ave., Chicago, Ill. 60610. Price: \$12.95.

*Marketing Investment Real Estate—Finance, Taxation, Techniques*, by Messner, Schreiber and Lynch. Realtors National Marketing Institute, 155 E. Superior St., Chicago, Ill. 60611. Price: \$30 to nonmembers of the institute.

*Real Estate License Preparation Course for the Uniform Examinations*, by Jack C. Estes and John Kok. Jr. McGraw-Hill Book Co., address above. Price: \$12.95.

### **3. Mortgages**

Gather data on the amount of money in mortgage loans currently in use in Canada. Compare this with the figures from ten years ago. Take into account such factors as total population, number of homes privately owned, average income, average price of homes.

### **4. Lending Institutions**

Divide the class into three groups with a chairman and a recorder for each. Have each group conduct research on mortgage loans available in the community and report back to the entire class. Compare the service of each type of lender.

### **5. Interest Charges**

Compute interest charges for different loan amounts, different types of mortgage loans and different maturity dates in order to better understand alternative decisions considered when making family financial plans.

### **6. Inflation**

Investigate and report on the effect of inflation on creditors and debtors. How has it affected homeowners with mortgages, holders of stocks and bonds, holders of insurance policies?

## **7. Home Ownership as a Source of Income**

Divide the class into groups and have them discuss how much and how dependable an income can be produced by a single family dwelling, an apartment, a four-plex. Discuss the down payment, overall cost, maintenance and other pertinent expenses.

## **8. Speaker**

Have a real estate expert discuss with the class the legal processes involved in renting and in buying. Initiate discussion about the types of housing available locally. You may wish to contact other resource people in the local CMHC offices, mortgage financing firms such as banks, trust companies and/or credit unions, lawyers specializing in real estate or local property owners.

# Further Reference



## **Further Reference / Information**

### How to Avoid the 10 Biggest Home Buying Traps

A. M. Watkins. Hawthorne, rev. 1971. 180 pp., paperback, \$3.50. Tips on how to examine a house. It has a buying checklist.

### Good Shelter, A Guide to Mobile, Modular and Prefabricated Houses, Including Domes

Judith and Bernard Rabb. Quadrangle/The New York Times Book Co., 1975. 171 pp. \$7.95.

An interesting discussion of factory-built housing, with ideas for low-cost structures.

### Condominiums -- How to Buy, Sell and Live in Them

Genevieve Gray. New York: Funk & Wagnalls, 1975. \$7.95. What is a condominium? How does it work? Advantages and disadvantages. Has been called 'the definitive book on condominium living'.

### The Intelligent Consumer

Christopher Weathersbee. Toronto: Clarke Irwin, 1973. \$6.95.

Entertaining book on how to buy, make and find the necessities for a home when you're starting out with no money and lots of enthusiasm. How to buy food, clothes, cars, vacations and appliances at the least cost to yourself and the environment. A multitude of detailed suggestions, some rather startling, some which could be readily used.



# Glossary



## GLOSSARY

The following words and phrases are frequently used in real estate transactions. The definition given pertains to the meaning in this context. The word "property" refers to real property. This glossary is part of The Real Estate and Business Brokers Act (1971).

Abstract	A written history of the title to a parcel of real estate as recorded in a land registry office.
Agent	One who legally represents a person or company in business transactions.
Appurtenances	All the rights that go with the property although not within the limits of the deed.
Assessed value or assessment	Valuation placed on property by a municipality for taxation purposes.
Chattels	Moveable possessions, personal property (generally items that may be removed without injury to the freehold estate).
Cloud on title	Any encumbrance or claim that affects title to real property.

Commission	Remuneration paid to an agent on sale or lease of property, usually as a percentage of the amount involved.
Consideration	Compensation, payment.
Contract	An agreement between two or more parties upon lawful consideration, to do or refrain from doing some act (if affecting real estate, it must be in writing).
Deed	A written instrument that has been signed, sealed and delivered.
Deposit	Payment of money or other valuable consideration as pledge for fulfillment of contract.
Basement	A right to some use of adjoining land or buildings, for example, a right of way or a right to light.
Encumbrance	Outstanding claim or lien recorded against property or any legal rights to the use of the property by another person who is not the owner.
Equity	The difference between the market value of the property and the mortgages, liens, etc., against the property.

Exclusive listing	The giving of the sole right to sell the described property according to the terms of the agency agreement.
Fixtures	Permanent improvements to property that may not be removed at the expiration of the term of lease or tenure.
Grantee	The person who receives the legal transfer of property from another.
Grantor	The person who conveys or legally assigns property to another.
Joint tenancy	Ownership of land by two or more persons whereby, on the death of one, the survivor or survivors take the whole estate.
Lease	Contract between landlord (lessor) and tenant (lessee) for the occupation or use of the landlord's property by the tenant for a specified time and for a specified consideration (rental).
Lessee	Tenant under a lease.
Lessor	The person who grants use of property under lease to a tenant.
Lien	A right of encumbrance affecting any property.

Mechanic's lien	A claim filed in the land registry office by an individual or company for labour or material, or both, supplied for the improvement of the property.
Mortgage	A conveyance of property to a creditor as security for payment of a debt with a right of redemption at a specified date.
Mortgagee	The one to whom property is conveyed as security for the payment of a debt; the lender or creditor.
Mortgagor	The one who makes the mortgage; the borrower or debtor.
Option	A right given by the owner of property to another (for a valuable consideration) to buy certain property within a limited time at an agreed price.
Personal property	All property, except land and the improvements thereon.
Power of attorney	Delegated written authority to a person to legally act on behalf of another.
Quit claim deed	A general release of all claims or rights to a parcel of land.

**Survey**

The accurate mathematical measurements of land and buildings thereon, made with the aid of instruments.

**Tenants-in-common**

Ownership of land by two or more persons; unlike joint tenancy in that interest of deceased does not pass to the survivor, but is treated as an asset of the deceased's estate.

Some additional definitions

Conventional mortgage	A mortgage loan not made under the National Housing Act.
Discharge of mortgage	Release executed by mortgagee when a mortgage loan has been repaid in full before, at, or after the maturity date. Also known as cessation of charge or main-levee.
Down payment	The amount contributed toward the cost of a house other than the mortgage amount. The down payment often comes out of the purchaser's own savings.
Equity	Difference between cost of a house including land and a mortgage loan.
Gross debt service (GDS)	Ratio of the annual mortgage charges for principal, interest and municipal taxes to the gross annual income of the borrower. Second mortgage payments (if any) are included. A shorter definition would be: Annual charge for taxes, interest and the contractual principal payments on the mortgage loan.
Maturity date	Final day of the term (of mortgage or note, for example).

NHA mortgage	A mortgage loan made under the National Housing Act. Maximum loan amounts are set out in the Act. NHA loans are government-insured. This means that the lender is insured against possible loss if the borrower defaults and can't pay off the mortgage. It does not mean that the borrower is protected against the loss of the house if he or she can't keep up the payments.
Mortgage term	Period for which the mortgage contract is written. The term may or may not coincide with the amortization. A mortgage amortized over 20 years may have a term of only five years. This means that technically the mortgage is due and payable at the end of five years. Practically however, the lender will usually renew the mortgage for a further term at the interest rate prevailing at the time the mortgage comes due.
Prepayment	Paying off the mortgage before the end of its term.
Real property	Real estate, land and buildings.
Refinancing	Increasing an existing mortgage, or arranging a new mortgage on the property.

Renewal agreement

Transaction between mortgagor and  
mortgagee concerning the payment of  
any balance owing on the mortgage  
at maturity.

# Documents



Documents are copied from:

Procedures for the Legal Secretary, by Elsie E. Swartz.  
Rev. ed., 1973. Holt, Rinehart.

COMPARISON OF LAND REGISTRATION SYSTEMS IN ONTARIO

REGISTRY  
SYSTEM

<u>Name of office</u>	The Registry Office for the Registry Division of Niagara South (No. 59)	<u>LAND TITLES SYSTEM</u>	The Land Titles Office for the Land Titles Division of Essex (No. 12)
<u>Official in charge</u>	Land registrar	Land registrar	Land registrar
<u>Term used for registration</u>	Registered	Filed	Parcel register
<u>Principal record book</u>	Abstract index	By parcel number	By parcel number
<u>Classification of land entries</u>	By reference to township lot in a concession of a county or municipality, or to a lot on a registered plan of subdivision, or a reference plan on a plan of subdivision		
<u>Documents</u>	Not checked by land registrar before accepted for registration	Carefully checked by land registrar before accepted for filing	Entry on most recent parcel register
<u>Title search</u>	Forty-year chain of title searched		

Certificate by  
officials in  
charge

Only a registrar's abstract list of all entries on the abstract index affecting a particular piece of land

Forms

Deed--grantor to grantee

Mortgage--mortgagor to mortgagee  
Discharge of mortgage  
Assignment of mortgage

Legal seals

Required on all instruments except discharge of mortgage

Affidavits

Affidavit of subscribing witness;  
Affidavit as to age and marital status, and on instruments conveying title,  
Land transfer tax affidavit,  
Affidavit of residency,  
Land Speculation Tax Act

Certificate of ownership of charge --not used any more

Transfer--transferor to transferee

Charge--chargor to chargee  
Cessation of charge  
Transfer of charge

No seals required for individuals; corporate seal required for corporation

Affidavit of subscribing witness;

Affidavit as to age and marital status and on instruments conveying title,  
Land transfer tax affidavit,  
affidavit re S.29 of The Planning Act, Affidavit of residency, Land Speculation Tax Act

Governing Act

The Registry Act

The Land Titles Act

# This Indenture

made (in duplicate) the twenty-eighth day of February  
one thousand nine hundred and seventy-three.

In Pursuance of The Short Forms of Conveyances Act

Between

Dye & Durham  
Co. Limited  
Toronto, Canada  
Form I to 4

RONALD CRAIG ANDERSON, Physician, and  
LUCILLE CAROLINE ANDERSON, his wife,  
both of the City of Toronto, in The  
Municipality of Metropolitan Toronto,  
as joint tenants and not as tenants  
in common,  
hereinafter called the Grantors,

OF THE FIRST PART,

- and -

PERCIVAL ANDREW PETERSON, Merchant, and  
ELIZABETH MAUDE PETERSON, his wife, both  
of the City of Toronto, in The Municipality  
of Metropolitan Toronto, as joint tenants  
and not as tenants in common,

hereinafter called the Grantees,

OF THE SECOND PART.

**Witnesseth** that in consideration of other good and valuable  
consideration and the sum of TWO-----

----- (\$2.00) ----- Dollars  
of lawful money of Canada now paid by the said Grantees to the said  
Grantors (the receipt whereof is hereby by them acknowledged),  
the said Grantors ~~do~~ ~~grant~~ unto the said Grantees in fee simple,  
as joint tenants and not as tenants in common.  
All and ~~singular~~ that certain parcel or tract of land and premises  
situate lying and being in the Borough of Etobicoke, in The  
Municipality of Metropolitan Toronto, formerly in the  
Township of Etobicoke, in the County of York, and being composed  
of the whole of Lot No. 79, according to a plan filed in the  
Registry Office for the Registry Division of Toronto Boroughs  
and York South (No. 64), as No. 58702.

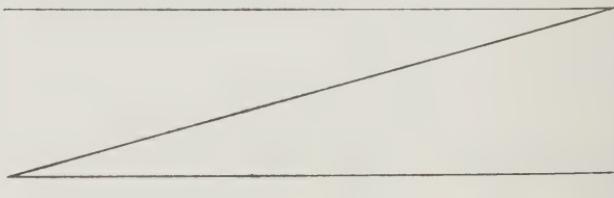


Figure 10.1 Completed Deed Without Dower—  
Page 1

Deed of Land  
Page 2 — Dye & Durham



To have and to hold unto the said Grantees /their heirs and assigns, to and for their sole and only use for ever. ~~subject~~  
~~Nevertheless~~ to the reservations, limitations, provisoies and conditions, expressed in the original grant thereof from the Crown.

as joint tenants  
and not as  
tenants in  
common

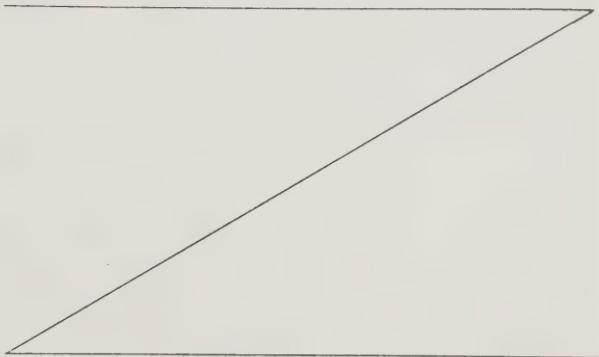


Figure 10.1 Completed Deed Without Dower—  
Page 2

The said Grantors **Covenant** with the said Grantees **That** they have the right to convey the said lands to the said Grantee<sup>s</sup> notwithstanding any act of the said Grantors.

**And** that the said Grantees shall have quiet possession of the said lands, free from all encumbrances.

**And** the said Grantors **Covenant** with the said Grantees that they will execute such further assurances of the said lands as may be requisite.

**And** the said Grantors **Covenant** with the said Grantees that they have done no act to encumber the said lands.

**And** the said Grantors **Release** to the said Grantees **All** their claims upon the said lands.

---

**In Witness Whereof** the said parties hereto have hereunto set their hands and seals.

**Signed, Sealed and Delivered**  
IN THE PRESENCE OF

Ronald Craig Anderson  
Lucille Caroline Anderson

## AFFIDAVIT OF SUBSCRIBING WITNESS

AMENDED MARCH 1972

I, ELSIE EDNA SWARTZ, Secretary,  
 of the Township of King,  
 in the Regional Municipality of York,

make oath and say:

I am a subscribing witness to the attached instrument and I was present and saw it executed  
 at the City of Toronto by Ronald Craig Anderson, and  
 Lucille Caroline Anderson.

\*See footnote

\*See footnote

I verily believe that each person whose signature I witnessed is the party of the same name referred to in the instrument.

SWORN before me at the City of Toronto,  
 in the Municipality  
 of Metropolitan Toronto,  
 this day of March 1973

A COMMISSIONER FOR TAKING AFFIDAVITS ETC

\*Where a party is unable to read the instrument or where a party signs by making his mark or in foreign characters add  
 "after the instrument had been read to him and he appeared fully to understand it; /W/ was executed under a power of attorney  
 (name of attorney) as attorney for (name of party); and for next clause substitute "I verily believe that the person whose  
 signature I witnessed was authorized to execute the instrument as attorney for (name)."

Amended, May, 1972

## In The Matter of The Land Transfer Tax Act

PROVINCE OF ONTARIO I, RONALD CRAIG ANDERSON  
 JUDICIAL DISTRICT OF YORK of the City of Toronto,  
 To Wit: in the\* Municipality of Metropolitan Toronto  
 named in the within (or annexed) transfer,

make oath and say:

1. I am one of the grantors  
 named in the within (or annexed) transfer.

2. I have a personal knowledge of the facts stated in this affidavit.

3. (1) The Total Consideration for this transaction has been allocated as follows:

(a) Land, buildings, fixtures and goodwill	\$ 38,750.00
(b) Chattels—Items of tangible personal property	\$ 250.00
	Total consideration \$ 39,000.00

- (2) The true consideration for the transfer or conveyance for Land Transfer Tax purposes is as follows:

(a) Monies paid in cash	\$ 10,000.00
(b) Property transferred in exchange (Detail Below)	\$ nil
(c) Securities transferred to the value of (Detail Below)	\$ nil
(d) Balances of existing encumbrances with interest owing at date of transfer	\$ nil
(e) Monies secured by mortgage under this transaction	\$ 28,750.00
(f) Liens, legacies, annuities and maintenance charges to which transfer is subject	\$ nil
(g) Other (Detail Below)	\$ nil

Total Consideration (should agree with 3(1) (a))

\$ 38,750.00

All  
blanks  
must  
be filled  
in.

4. If consideration is nominal, is the transfer for natural love and affection? n/a

5. If so, what is the relationship between Grantor and Grantee? (If other than husband and wife, complete 3(2)(d)) n/a

6. Other remarks and explanations (if necessary) n/a

SWORN before me at the City  
 of Toronto, in the Municipality  
 of Metropolitan Toronto  
 this day of March 1973

(signature)

A Commissioner, etc.

Retail sales tax is payable on the valuation of items shown in 3(1) (b) unless otherwise exempted  
 under the provisions of The Retail Sales Tax Act.

Figure 10.1 Completed Deed Without Dower—  
 Page 4

AFFIDAVIT AS TO AGE AND MARITAL STATUS

X/WE RONALD CRAIG ANDERSON, and LUCILLE CAROLINE ANDERSON, both  
of the City of Toronto,  
in the Municipality of Metropolitan Toronto,  
make oath and say: When we executed the attached instrument,

\* If attorney  
see reverse

Strike out  
imapplicable  
clauses.

X/WE were at least eighteen years old.

I was - - married / divorced / widower -

was my wife / husband.

We were married to each other.

We held the land as Joint Tenants / Trustee / Partnership Property.

Resident of  
Canada, etc.

We are and will be at the time of sale residents of Canada  
within the meaning of Section 116 of the Income Tax Act,  
R.S.C. 1970, and amendments thereto.

(SEVERALLY) SWEARN before me at the City  
Toronto in the Municipality  
of Metropolitan Toronto  
this day of March 1973

A COMMISSIONER FOR TAKING AFFIDAVITS, ETC.

\* Where affidavit made by attorney substitute: "When I executed the attached instrument as attorney for (name), he/she was (marital status, and if married, name of spouse), and when he/she executed the power of attorney, he/she had attained the age of majority".

Dated February 28, 1973

RONALD CRAIG ANDERSON,  
and LUCILLE CAROLINE  
ANDERSON,

TO

PERCIVAL ANDREW PETERSON,  
and ELIZABETH MAUDE  
PETERSON.  
Address: 94 Bellcrest Crescent  
Etobicoke, Ontario.

**Deed of Land**

SITUATE

Lot 79, Plan No. 58702  
Etobicoke

Dow & Durham Co. Limited, 76 Richmond Street East, Toronto

ASSESSMENT ROLL NO. 572063, 1108

ADDRESS OF PROPERTY

94 Bellcrest Crescent,  
Etobicoke, Ontario

REGISTRATION FEE	
LAND TRANSFER TAX	

THIS SPACE TO BE RESERVED FOR CERTIFICATE OF REGISTRATION

# This Indenture

made (in duplicate) the twenty-eighth day of December  
one thousand nine hundred and seventy-two

In Pursuance of The Short Forms of Conveyances Act  
Between

JOHN ALBERT DONALDSON, of the City of  
Barrie, in the County of Simcoe,  
Merchant,

hereinafter called the Grantor  
of the First Part

JAMES JOSEPH SMITH, of the City of  
Toronto, in The Municipality of Metro-  
politan Toronto, Engineer, and MARGARET  
MARY SMITH, his wife, of the same place,  
as joint tenants and not as tenants in  
common,

hereinafter called the Grantees  
of the Second Part

- and -

ELIZABETH MARTHA DONALDSON,

Wife of the said Grantor hereinafter called the party  
of the Third Part

**Witnesseth** that in consideration of other good and valuable  
consideration and the sum of TWO-----

----- (\$2.00) ----- Dollars  
of lawful money of Canada now paid by the said Grantees to the said  
Grantor (the receipt whereof is hereby by him acknowledged),  
the said Grantor doth Grant unto the said Grantees in fee simple,  
as joint tenants, and not as tenants in common.  
All and Singular that certain parcel or tract of land and premises  
situate lying and being (legal description of property continues  
here....)

## In The Matter of The Land Transfer Tax Act

PROVINCE OF ONTARIO  
 JUDICIAL DISTRICT OF YORK  
 To Wit:

I, PETER THOMAS GRANT  
 of the City of Toronto  
 in the\* Municipality of Metropolitan Toronto  
 named in the within (or annexed) transfer,

\*For place of residence insert appropriate County District, Regional Municipality, etc.

make oath and say:

This affidavit may be made by the purchaser or vendor or by any person acting on behalf of the purchaser or the vendor, including a power of attorney, or by an agent accredited by the trustee of the purchaser, or vendor to make it on behalf of either of them or by some other person appointed by the Minister of Revenue.

1. I am the solicitor for the grantors named in the within (or annexed) transfer.
2. I have a personal knowledge of the facts stated in this affidavit.
3. (1) The Total Consideration for this transaction has been allocated as follows:
 

(a) Land, buildings, fixtures and goodwill .....	\$ 52,500.00
(b) Chattels—items of tangible personal property .....	\$ 1,100.00 **
Total consideration	<u>\$ 53,600.00</u>
- (2) The true consideration for the transfer or conveyance for Land Transfer Tax purposes is as follows:
 

(a) Monies paid in cash .....	\$ 40,000.00
(b) Property transferred in exchange (Detail Below) .....	\$ nil
(c) Securities transferred to the value of (Detail Below) .....	\$ nil
(d) Balances of existing encumbrances with interest owing at date of transfer .....	\$ nil
(e) Monies secured by mortgage under this transaction .....	\$ 12,500.00
(f) Liens, legacies, annuities and maintenance charges to which transfer is subject .....	\$ nil
(g) Other ..... (Detail Below)	\$ nil
Total Consideration (should agree with 3(1) (a))	<u>\$ 52,500.00</u>
4. If consideration is nominal, is the transfer for natural love and affection? n/a
5. If so, what is the relationship between Grantor and Grantee? n/a  
*(If other than husband and wife, complete 3(2)(d))*
6. Other remarks and explanations (if necessary)..... n/a

Sworn before me at the City

of Toronto, in the Municipality  
of Metropolitan Toronto

this                    day of February

1973

(signature)

All  
blanks  
must  
be filled  
in.

A Commissioner, etc.

Retail sales tax is payable on the valuation of items shown in 3(1) (b) unless otherwise exempted under the provisions of The Retail Sales Tax Act.

NOTE: \*\*As of October 1, 1973, insert here only the value of chattels, the total value of which in the opinion of the deponent exceeds \$100.00.

Figure 10.8. Land Transfer Tax Affidavit

## Land Titles Act

**A** WE, JOSEPH BENJAMIN WINSTON, of the City of Ottawa,  
in the Regional Municipality of Ottawa-Carleton,  
Publisher, and ALANNA LESLIE WINSTON, his wife, of  
the same place, as joint tenants and not as tenants  
in common,

Dye & Durham  
Limited  
Toronto, Canada

the registered owner of the freehold land registered in the office  
of Land Titles at Toronto and York (No. 66)  
as Parcel No. 6620  
in the register for the East Section, Borough of York,

in consideration of the sum of other good and valuable consideration  
and the sum of TWO-----  
----- (\$2.00) ----- Dollars

paid to us TRANSFER to MARTIN LEWIS BRIGHTON, Teacher,  
and ELOISE PENELOPE BRIGHTON, his wife, both

of the Village of Ailsa Craig in the  
County of Middlesex, as joint tenants, and not as tenants in  
common,  
the land hereinafter particularly described namely

(legal description)

(legal description continues in this space if necessary)

Insert here 'the  
whole' or 'a part'  
according to the  
fact. Where the  
whole parcel is  
transferred, no  
particular description  
is unnecessary.

being      the whole                  of the said Parcel

(If only part of the parcel is being transferred,  
description of that particular parcel is included  
here.)

( legal description continues here from page 2 if necessary )

If wife  
of  
Transfer-  
or is  
barring  
her dower  
her name  
appears  
here.

AND I,  
wife of the said----  
hereby bar my dower in the said land.

DATED the \_\_\_\_\_ day of February 1973

WITNESS:

Joseph Benjamin Winston

Alanna Leslie Winston

AFFIDAVIT OF SUBSCRIBING WITNESS

I, GRACE EDNA TRIMBLE, Secretary,  
of the Borough of North York  
in the Municipality of Metropolitan Toronto, make oath and say:  
I am a subscribing witness to the attached instrument and I was present and saw it executed  
at the City of Toronto by Joseph Benjamin Winston  
and Alanna Leslie Winston.

\*See footnote

I verily believe that each person whose signature I witnessed is the party of the same name referred to in the instrument.

SWORN before me at the City of Toronto,  
in the Municipality of <sup>in the</sup>  
Metropolitan Toronto  
this day of February 1973

A COMMISSIONER FOR TAKING AFFIDAVITS ETC

\* Where a party is unable to read the instrument or where a party signs by making his mark or in foreign characters add  
insert "(name of attorney) as attorney for (name of party)", and in next clause substitute "I verily believe that the person whose  
signature I witnessed was authorized to execute the instrument as attorney for (name)".

**In The Matter of The Land Transfer Tax Act**

PROVINCE OF ONTARIO	I, JOSEPH BENJAMIN WINSTON
JUDICIAL DISTRICT OF YORK	of the City of Ottawa
To Wit:	in the* Regional Municipality of Ottawa-Carleton

\*For place of residence report appropriate County, District, Regional Municipality, etc.

**make oath and say:**

1. I am one of the transferors

named in the within (unexecuted) transfer.

2. I have a personal knowledge of the facts stated in this affidavit.

3. (1) The Total Consideration for this transaction has been allocated as follows:

(a) Land, buildings, fixtures and goodwill	\$33,470.00
(b) Chattels—items of tangible personal property	\$ 230.00
Total consideration	<u><u>\$33,700.00</u></u>

(2) The true consideration for the transfer or conveyance for Land Transfer Tax purposes is as follows:

(a) Monies paid in cash	\$13,000.00
(b) Property transferred in exchange (Detail Below)	\$ nil
(c) Securities transferred to the value of (Detail Below)	\$ nil
(d) Balances of existing encumbrances with interest owing at date of transfer	\$ nil
(e) Monies secured by mortgage under this transaction	\$20,470.00
(f) Liens, legacies, annuities and maintenance charges to which transfer is subject	\$ nil
(g) Other (Detail Below)	\$ nil
Total Consideration (should agree with 3(1) (a))	<u><u>\$33,470.00</u></u>

All  
blanks  
must  
be filled  
in

4. If consideration is nominal, is the transfer for natural love and affection? n/a  
 5. If so, what is the relationship between Grantor and Grantee?  
     (if other than husband and wife, complete 3(2)(d)) n/a  
 6. Other remarks and explanations (if necessary) n/a

SWORN before me at the City  
 of Toronto, in the Municipality  
 of Metropolitan Toronto  
 this day of February 1973

(signature)

A Commissioner, etc.

Retail sales tax is payable on the valuation of items shown in 3(1) (b) unless otherwise exempted under the provisions of The Retail Sales Tax Act.

## AFFIDAVIT AS TO AGE AND MARITAL STATUS

AMENDED MARCH 1973

WE, JOSEPH BENJAMIN WINSTON, and ALANNA LESLIE WINSTON, both  
of the City of Ottawa  
in the Regional Municipality of Ottawa-Carleton

\* If attorney  
use "I" instead

make oath and say: When we executed the attached instrument,

WE were at least eighteen years old.

Strike out  
inapplicable  
clauses

I was -- married/divorced/widower.

was my wife/husband.

We were married to each other.

We held the land as Joint Tenants / Trustees / Partnership Property.

Resident of  
Canada, etc.We are and will be at the time of sale residents of Canada within  
the meaning of Section 116 of the Income Tax Act, R.S.C. 1970 and  
amendments thereto.

(SEVERALLY) SWORN before me at the City

of Toronto, in the Municipality  
of Metropolitan Toronto,  
this day of February 1973

A COMMISSIONER FOR TAKING AFFIDAVITS, ETC.

\* Where affidavit made by attorney substitute: "When I executed the attached instrument as attorney for (name), he/she was  
(marital status, and if married, name of spouse), and when he/she executed the power of attorney, he/she had attained the age  
of majority."**Land Titles Act**

Dated day of February 1973

JOSEPH BENJAMIN WINSTON,  
and ALANNA LESLIE WINSTON —

TO

RONALD CRAIG ANDERSON,  
and LUCILLE CAROLINE  
ANDERSONAddress: 135 Howardwood Road  
Toronto, Ontario**Transfer of Freehold Land**

ATTORNEY IN FACT

Dyer &amp; Durham Co. Limited, 78 Richmond Street East, Toronto

ASSESSMENT ROLL NO D12345, 2345

ADDRESS OF PROPERTY

135 Howardwood Road,  
Toronto, Ontario

REGISTRATION FEE
LAND TRANSFER TAX

THIS SPACE TO BE RESEVED FOR CERTIFICATE OF REGISTRATION

Figure 10.9. Transfer—Back

# This Indenture

made (in duplicate) the twenty-eighth day of December,  
one thousand nine hundred and seventy-two.

In Pursuance of the Short Forms of Mortgages Act

Between

HAROLD WILLIAM MARTIN, of the Borough of Etobicoke, in  
The Municipality of Metropolitan Toronto, Merchant, and  
PAULINE GRACE MARTIN, his wife, of the same place, as  
joint tenants and not as tenants in common,

hereinafter called the Mortgagor<sup>s</sup> of the FIRST PART;

- and - NORMAN HOWARD GOOD, of the City of Sarnia, in the  
County of Lambton, Accountant, and MYRTLE ELIZABETH  
GOOD, his wife, of the same place, on joint account  
with right of survivorship,

hereinafter called the Mortgagees of the SECOND PART:

Whereas the said Mortgagor at the time of the execution hereof is seized of an estate in fee simple in  
possession of the lands hereinafter mentioned, and have applied to the Mortgagee for a loan upon  
mortgage thereof.

Now therefore this Indenture Witnesseth that in consideration of TWENTY-ONE THOUSAND-----

----- (\$21,000.00) ----- dollars  
of lawful money of Canada now paid by the said Mortgagee to the said Mortgagor (the receipt whereof is  
hereby by them acknowledged) the said Mortgagor doth grant and mortgage unto the said  
Mortgagees their heirs, executors, administrators, successors and assigns forever.

All and Singular that certain parcel or tract of land and premises situate, lying and being  
in the Township of East Gwillimbury, in the Regional Municipality of  
York, and Province of Ontario, being composed of the whole of Lot  
Number 13 according to Plan 393, registered in the Registry Office for  
the Registry Division of York North (No. 65).

And the said wife of the said Mortgagor hereby bars her Dower in the said lands.  
Provided this Mortgage to be Void upon payment of TWENTY-ONE THOUSAND-----  
----- (\$21,000.00) ----- Dollars  
of lawful money of Canada with interest at nine and a half per centum per annum as follows:  
(9 1/2%)  
The sum of FIVE HUNDRED---\$500.00)---Dollars on account of principal  
shall become due and be payable quarter-yearly on the last days of  
March, June, September and December in the years 1973, 1974, 1975 and  
1976, and March, June and September, 1977, and the balance of-----

the said principal sum of \$21,000.00 shall become due and payable on the last day of  
December 1977 and interest quarter yearly at the said rate as well after as before  
maturity and both before and after default on such portion of the principal as remains from time to time  
unpaid on the last days of March, June, September and December  
in each year until the principal is fully paid; the first payment of interest to be computed from the last  
day of December 1972 upon the whole amount of principal hereby secured, to become due  
and payable on the last day of March next 1973

AND Taxes and performance of Statute Labor; and observance and performance of all covenants,  
provisos and conditions herein contained.

AND it is hereby agreed that in case default shall be made in payment of any sum to become due for  
interest at any time appointed for payment thereof as aforesaid, compound interest shall be payable and  
the sum in arrear for interest from time to time, as well after as before maturity, shall bear interest  
at the rate aforesaid, and in case the interest and compound interest are not paid in three months  
from the time of default a rest shall be made, and compound interest at the rate aforesaid shall be  
payable on the aggregate amount then due, as well after as before maturity, and so on from time to time,  
and all such interest and compound interest shall be a charge upon the said lands.

THE MORTGAGOR agrees that neither the preparation, execution nor registration of this Indenture  
shall bind the Mortgagor to advance the money hereby secured, nor the advance of a part of the moneys  
secured hereby bind the Mortgagee to advance any unadvanced portion thereof, but nevertheless the  
estate hereby conveyed shall take effect forthwith upon the execution of these presents by the said  
Mortgagor, and the expenses of the examination of the title and of this mortgage and valuation are to be  
secured hereby in the event of the whole or any balance of the principal sum not being advanced, the  
same to be charged hereby upon the said lands, and shall be without demand thereof, payable forthwith  
with interest at the rate provided for in this mortgage, and in default the said Mortgagee's power of sale  
hereby given, and all other remedies hereunder, shall be exercisable.

AND the said Mortgagor covenants with the Mortgagee that in the event of non-payment of the said  
principal moneys at the time or times above provided, he shall not require the Mortgagee to accept  
payment of said principal moneys without first giving six months' previous notice in writing, or paying  
a bonus equal to three months' interest in advance on the said principal moneys.

THE said Mortgagor covenants with the said Mortgagee that the Mortgagor will pay the Mortgage  
money and interest and observe the above proviso, and will pay as they fall due all taxes, rates and  
assessments, municipal, local, parliamentary and otherwise, which now are or may hereafter be  
imposed, charged or levied upon the said lands and premises;

THAT the Mortgagor has a good title in fee simple to the said lands.

AND that he has the right to convey the said lands to the said Mortgagee;

AND that on default the Mortgagee shall have quiet possession of the said lands free from all  
encumbrances.

AND that the said Mortgagor will execute such further assurances of the said lands as may be requisite;  
AND that the said Mortgagor has done no act to encumber the said lands;

Figure 11.2. Mortgage No Dower, Principal Plus  
Interest Repayment—Page 2

~~Mortgage Long Page 3 - Dye & Durham~~

AND that the said Mortgagor will insure the buildings on the said lands to the amount of not less than the principal money hereby secured in dollars of lawful money of Canada. Evidence of continuation of such insurance having been secured shall be produced to the Mortgagor at least three days before expiration thereof, otherwise the Mortgagor may provide therefor and charge the premium paid therefor and interest thereon to the Mortgagor and the same shall also be a charge upon the said land. It is further agreed that the Mortgagor may require any insurance on the said buildings to be cancelled and a new insurance effected in an office to be named by him, and also may of his own accord effect or maintain any insurance herein provided for, and any amount paid by him therefor shall be forthwith payable to him with interest at the rate aforesaid by the Mortgagor, and shall be a charge upon the said lands (without prejudice to the foregoing statutory clause).

AND that the said Mortgagor doth release to the said Mortgagor all his claims upon the said lands subject to the said proviso.

PROVIDED that the said Mortgagor on default of payment for at least fifteen days may on at least thirty-five days' notice enter on and lease the said lands or on default of payment for at least fifteen days may on at least thirty-five days' notice sell the said lands. Such notice shall be given to such persons and in such manner and form and within such time as provided in The Mortgages Act, as amended. In the event that the giving of such notice shall not be required by law or to the extent that such requirements shall not be applicable it is agreed that notice may be effectually given by leaving it with a grown-up person on the said lands, if occupied, or by placing it on the said lands if unoccupied, or at the option of the Mortgagor, by mailing it in a registered letter addressed to the Mortgagor at his last known address, or by publishing it once in a newspaper published in the county or district in which the lands are situate; and such notice shall be sufficient although not addressed to any person or persons by name or designation; and notwithstanding that any person to be affected thereby may be unknown, unascertained, or under disability. PROVIDED FURTHER, without prejudice to the statutory powers of the Mortgagor under the foregoing proviso, that in case default be made in the payment of the said principal or interest or any part thereof and such default continue for two months after any payment of either fails due then the Mortgagor may exercise the foregoing powers of entering, leasing or selling or any of them without any notice, it being understood and agreed, however, that if the giving of notice by the Mortgagor shall be required by law then notice shall be given to such persons and in such manner and form and within such time as so required by law. AND it is hereby further agreed that the whole or any part or parts of the said lands may be sold by public auction or private contract, or partly one or partly the other; and that the proceeds of any sale hereunder may be applied in payment of any costs, charges and expenses incurred in taking, recovering or keeping possession of the said lands or by reason of non-payment or procuring payment of moneys, secured hereby or otherwise, and that the Mortgagor may sell any of the said lands on such terms as to credit and otherwise as shall appear to him most advantageous and for such prices as can reasonably be obtained therefor and may make any stipulations as to title or evidence or commencement of title or otherwise which he shall deem proper, and may buy in or rescind or vary any contract for the sale of the whole or any part of the said lands and resell without being answerable for loss occasioned thereby, and in the case of a sale on credit the Mortgagor shall be bound to pay the Mortgagor only such moneys as have been actually received from purchasers after the satisfaction of the claims of the Mortgagor and for any of said purposes may make and execute all agreements and assurances as he shall think fit. Any purchaser or lessee shall not be bound to see to the propriety or regularity of any sale or lease or be affected by express notice that any sale or lease is improper and no want of notice or publication when required hereby shall invalidate any sale or lease hereunder. PROVIDED that the Mortgagor may distrain for arrears of interest. PROVIDED that the Mortgagor may distrain for arrears of principal in the same manner as if the same were arrears of interest. PROVIDED that in default of the payment of the interest hereby secured the principal hereby secured shall become payable at the option of the Mortgagor. PROVIDED that upon default of payment of instalments of principal promptly as the same mature, the balance of the principal and interest shall immediately become due and payable at the option of the Mortgagor. PROVIDED that the Mortgagor may in writing at any time or times after default waive such default and upon such waiver the time or times for payment of said principal shall be as set out in the above proviso for redemption. PROVIDED further that any such waiver shall apply only to the particular default waived and shall not operate as a waiver of any other or future default. AND it is further agreed by and between the parties that the Mortgagor may at his discretion at all times release any part or parts of the said lands or any other security or any surety for the money hereby secured either with or without any sufficient consideration therefor, without responsibility therefor, and without thereby releasing any other part of the said lands or any person from this Mortgage or from any of the covenants herein contained, it being especially agreed that every part or lot into which the mortgaged lands are or may hereafter be divided does and shall stand charged with the whole money hereby secured and no person shall have the right to require the mortgage moneys to be apportioned; and without being accountable to the Mortgagor for the value thereof, or for any moneys except those actually received by the Mortgagor. PROVIDED further that no sale or other dealing by the Mortgagor with the equity of redemption in the said lands or any part thereof shall in any way change the liability of the Mortgagor or in any way alter the rights of the Mortgagor as against the Mortgagor or any other person liable for payment of the moneys hereby secured. THE said Mortgagor covenants with the said Mortgagor that he will keep the said lands and the buildings, erections and improvements thereon in good condition and repair according to the nature and description thereof respectively, and that the Mortgagor may, whenever he deems necessary, by his surveyor or agent enter upon and inspect the said mortgaged lands, and the reasonable cost of such inspection shall be added to the Mortgage debt, and that if the Mortgagor neglects to keep the said premises in good condition and repair, or commit or permit any act of waste on the said lands (as to which the Mortgagor shall be sole judge) or make default as to any of the covenants or provisos herein contained, the principal hereby secured shall at the option of the Mortgagor forthwith become due and payable, and in default of payment of same with interest as in the case of payment before maturity, the powers of entering upon and leasing or selling hereby given may be exercised and the Mortgagor may make such repairs as he deems necessary, and the cost thereof with interest thereon shall be a charge upon the land prior to all claims thereon subsequent to these presents.

AND it is hereby agreed between the parties hereto that the Mortgagor may pay all premiums of insurance and all taxes and rates which shall from time to time fall due and be unpaid in respect of the mortgaged premises, and that such payments together with all costs, charges and expenses (as between a solicitor and his client), which may be incurred in taking, recovering and keeping possession of the said lands, and of negotiating this loan, investigating title, and registering the mortgage and other necessary deeds, and generally in any other proceedings taken, in connection with or to realize this security, shall be with interest at the rate aforesaid, a charge upon the said lands in favor of the Mortgagor and that the Mortgagor may pay or satisfy any lien, charge or encumbrance now existing or hereafter created or claimed upon the said lands, and that any amount paid by the Mortgagor shall be added to the debt hereby secured and shall be payable forthwith with interest at the rate aforesaid, and in default this Mortgage shall immediately become due and payable at the option of the Mortgagor, and all powers by this Mortgage conferred shall become exercisable.

*Figure 11.2. Mortgage No Dower, Principal Plus Interest Repayment—Page 3*

PROVIDED that until default of payment the Mortgagor shall have quiet possession of the said lands. PROVIDED and it is hereby agreed, that the taking of a judgment or judgments on any of the covenants herein contained shall not operate as a merger of the said covenants or affect the Mortgagee's right to interest at the rate and times herein provided, and further that said judgment shall provide that interest thereon shall be computed at the same rate and in the same manner as herein provided until the said judgment shall have been fully paid and satisfied.

PROVIDED and it is hereby further agreed by and between the Mortgagor and the Mortgagee that should default be made by the Mortgagor in the observance or performance of any of the covenants, provisos, agreements or conditions contained in any mortgage to which this mortgage is subject, then and in that event the moneys hereby secured shall forthwith become due and be payable, at the option of the Mortgagee, and all the powers in and by this mortgage conferred shall become exercisable, and the powers of sale therein contained may be exercised forthwith without any notice, unless the giving of notice shall be required by law in which event notice shall be given to such persons and in such manner and form and within such time as required by law.

PROVIDED also that the covenant for insurance hereinbefore contained shall apply to all buildings whether now or hereafter erected on the said lands. PROVIDED also that on default of payment of any of the moneys hereby secured or payable or on any proceedings being taken by the Mortgagee under this Mortgage, he shall be entitled to require payment, in addition to all other moneys hereby secured or payable hereunder, of a bonus equal to three months' interest in advance at the rate aforesaid upon the principal money hereby secured, and the Mortgagor shall not be entitled to require a discharge of this Mortgage without such payment.

PROVIDED that the mortgagors, when not in default, shall have the privilege of paying an additional One Thousand---(\$1,000.00)---Dollars or any sum in multiples thereof on account of principal on any interest date without notice or bonus.

PROVIDED that the mortgagors if not in default shall have the privilege of renewing this mortgage upon its maturity for a further period of five years on the same terms and conditions as are herein contained, but with no right of further renewal.

PROVIDED and it is hereby agreed, that in construing these presents the words "Mortgagor" and "Mortgagee", and the personal pronoun "he" or "his" relating thereto and used thereafter, shall be read and construed as "Mortgagor or Mortgagors, Administrators or Executors, and his", "she" or "her", or "their", respectively, as the number and gender of the party or parties referred to, in each case, require and the number of persons making therewith shall be construed as agreeing with the said word or pronoun so substituted. And that all rights, advantages, privileges, immunities, powers and things hereby secured to the Mortgagor or Mortgagors, Mortgagee or Mortgagees shall be equally secured to and exercisable by him, her, or their heirs, executors, administrators and assigns, or successors and assigns as the case may be. And that all covenants, liabilities and obligations entered into or made by either upon the Mortgagor or Mortgagors, Mortgagee or Mortgagees shall be equally binding upon him, her or their heirs, executors, administrators and assigns, or successors and assigns as the case may be, and that all such covenants and liabilities and obligations shall be joint and several.

The undersigned Mortgagor S acknowledge having received a true copy of this Mortgage.

In Witness Whereof the said parties hereto have hereunto set their hands and seals.

SIGNED, SEALED AND DELIVERED

In the presence of

Harold William Martin

Pauline Grace Martin

AFFIDAVIT OF SUBSCRIBING WITNESS

I, MARTHA CAROLINE COCHRANE, Secretary  
of the Borough of Scarborough  
in the Municipality of Metropolitan Toronto, make oath and say:  
I am a subscribing witness to the attached instrument and I was present and saw it executed  
at the City of Toronto by Harold William Martin, and  
Pauline Grace Martin.

\*See footnote

\*See footnote  
I verily believe that each person whose signature I witnessed is the party of the same name referred to in the instrument.

SWORN before me at the City of Toronto  
in the Municipality in the  
of Metropolitan Toronto  
this day of December 1972

A COMMISSIONER FOR TAKING AFFIDAVITS, ETC

\* Where a party is unable to read the instrument or where a party signs by marking his mark or in foreign characters add "after the instrument had been read to him and he appeared fully to understand it". Where executed under a power of attorney insert "[name of attorney] as attorney for (name of party)"; and for next clause substitute "I verily believe that the person whose signature I witnessed was authorized to execute the instrument as attorney for (name)."

Figure 11.2. Mortgage No Dower, Principal Plus Interest Repayment—Page 4

## AFFIDAVIT AS TO AGE AND MARITAL STATUS

I/WE, HAROLD WILLIAM MARTIN, and PAULINE GRACE MARTIN, both  
of the Borough of Etobicoke  
in the Municipality of Metropolitan Toronto

\* If attorney  
see Schedule

make oath and say: When we executed the attached instrument,

I/WE were at least eighteen years old.

~~Strike out  
inapplicable  
clauses.~~

I was --- married / divorced / widower.

~~was my wife / husband~~

We were married to each other.

We held the land as Joint Tenants / Trustees / Partnership Property.

Resident of  
Canada, etc.

We do not retain the fee or the equity of redemption in, or a power or right to grant, assign or exercise a power of appointment with respect to any land abutting the land affected by this mortgage.

(SEVERALLY) SWEARN before me at the City

Toronto in the Municipality  
of Metropolitan Toronto  
this day of December 1972

NOTE: Since this mortgage is concerned with a whole lot on a registered plan, the above statement dealing with an interest in abutting lands is included for illustrative purposes only.

A COMMISSIONER FOR TAKING AFFIDAVITS, ETC.

\* Where affidavit made by attorney substitute: "When I executed the attached instrument as attorney for (name), he/she was (marital status, and if married, name of spouse), and when he/she executed the power of attorney, he/she had attained the age of majority".

DATED December 28 1972

HAROLD WILLIAM MARTIN,  
and PAULINE GRACE MARTIN,

TO

NORMAN HOWARD GOOD,  
and MYRTLE ELIZABETH  
GOOD.

Address: 2497 Primrose Ave.  
Sarnia, Ontario

### Mortgage

Lot Number 13

Plan 393

Township of

EAST GALT

Durham Co. Limited, 76 Richmond Street East, Toronto

HILL, JOHNSTON & GRANT  
17 Princess Street  
Toronto, Ontario  
M8Y 3N5

THIS SPACE TO BE RESERVED FOR CERTIFICATE OF REGISTRATION

Figure 11.2. Mortgage No Dower, Principal Plus Interest Repayment—Back

**COMPUTING SERVICES COMPANY**  
20 SPADINA ROAD, TORONTO 4, ONTARIO

**CSC**

LOANS	18000.00	PAYMENTS	157.99	PAYABLE MONTHLY	TERM	25 YEARS	MTHS
RATE %	9.750	COMPOUNDED	SEMI-ANNUAL	INTEREST PAYMENT FACTOR 0796471400			
1	143.36	14.63	17985.37	61	134.15	23.54	16857.68
2	143.25	14.74	17970.63	62	134.26	23.73	16833.35
3	143.13	14.86	17955.77	63	134.37	23.92	16809.43
4	143.01	14.98	17940.79	64	133.48	24.11	16785.52
5	142.89	15.10	17925.69	65	133.59	24.30	16761.62
6	142.77	15.22	17910.47	66	133.70	24.49	16737.53
7	142.65	15.34	17895.13	67	133.80	24.69	16713.64
8	142.53	15.46	17879.77	68	133.91	24.88	16686.96
9	142.41	15.58	17864.09	69	132.91	25.08	16661.28
10	142.28	15.71	17848.38	70	132.71	25.28	16636.06
11	142.16	15.83	17832.55	71	132.51	25.48	16611.12
12	142.03	15.96	17816.59	72	132.30	25.69	16595.43
13	141.90	16.09	17800.50	73	132.10	25.09	16575.54
14	141.78	16.21	17784.29	74	131.99	26.10	16553.44
15	141.65	16.34	17767.95	75	131.78	26.31	16531.13
16	141.52	16.47	17751.48	76	131.47	26.52	16448.61
17	141.39	16.60	17734.98	77	131.26	26.73	16453.88
18	141.25	16.74	17718.14	78	131.05	26.94	16426.94
19	141.12	16.07	17701.27	79	130.84	27.15	16395.79
20	140.99	17.00	17684.27	80	130.62	27.37	16377.42
21	140.85	17.14	17667.13	81	130.40	27.59	16346.03
22	140.71	17.28	17650.95	82	130.18	27.81	16317.12
23	140.58	17.41	17632.44	83	129.96	28.03	16291.59
24	140.44	17.55	17614.89	84	129.74	28.25	16261.74
25	140.30	17.59	17597.20	85	129.51	28.47	16231.26
26	140.16	17.73	17579.37	86	129.29	28.71	16201.56

*Figure 11.6. Printed Amortization Schedule  
—Extract*



**COMPUTING SERVICES COMPANY**  
20 Spadina Road, Toronto 4, Ontario/927-1633

PLEASE SEND

CHECK OFF THE CSC PACKAGED PROGRAMMES  
THAT INTEREST YOU

- INFORMATION ON VOLUME DISCOUNTS
- PREPAID AMORTIZATION REQUEST CARDS
- AMORTIZATION REQUEST CARDS
- MORTGAGE PURCHASE EVALUATION FORMS

- PAYROLL - CHEQUES, VOUCHERS, REGISTERS, SUMMARIES
- ACCOUNTING - TRANSACTION LISTINGS, BALANCE SHEETS, PROFIT & LOSS STATEMENTS, GENERAL LEDGER
- ACCOUNTS RECEIVABLES - SALES TAX JOURNALS, STATEMENTS AGING ANALYSIS, SALES ANALYSIS
- SALES ANALYSES - TERRITORY, CUSTOMER, PRODUCT

SPECIFY

SPECIFY

*Figure 11.7. Request Form for Amortization Schedule*

This mortgage is for a term of five years from January 1, 1973, and is to be repaid by a set amount of \$100.00 each month, on account of principal combined with interest.

(X this line out if wife  
is not a party to bar  
her dower.)

~~And the said wife of the said Mortgagor hereby bars her Dower in the said lands.~~

~~Prohibited this Mortgage to be Void upon payment of TEN THOUSAND~~

~~(\$10,000.00)~~

Dollars

of lawful money of Canada with interest at nine (9%) ----- per centum per annum ~~MOYTHANNAW~~  
half-yearly not in advance, as well after as before maturity, and both  
before and after default on such portion of the principal hereby secured  
as remains from time to time unpaid until the principal is fully paid as  
follows: The said principal and interest shall be payable by monthly  
instalments of ONE HUNDRED (\$100.00) DOLLARS each (which includes principal  
and interest) on the first day of each and every month in each and every  
year from and including the first day of February, 1973 to and including  
the first day of January, 1978, and the balance, if any, of the said  
principal sum and of the said interest shall become due and payable on the  
date last mentioned. The aforesaid monthly instalments of ONE HUNDRED  
(\$100.00) DOLLARS each when received are to be applied firstly to the  
interest calculated as aforesaid on the principal from time to time unpaid,  
and the balance, if any, of the said monthly instalments shall be applied  
~~on account of and in reduction of the principal sum of the said mortgage on the~~ day of

~~10 and interest~~

~~yearly at the said rate as well after as before~~

~~maturity and both before and after default on such portion of the principal as remains from time to time  
unpaid on the~~ days of

~~in each year until the principal is fully paid; the first payment of interest to be computed from the  
day of~~ 19 upon the whole amount of principal hereby secured, to become due

~~and payable on the~~ day of

~~next 10~~

AND Taxes and performance of Statute Labor; and observance and performance of all covenants,  
provisos and conditions herein contained.

AND it is hereby agreed that in case default shall be made in payment of any sum to become due for  
interest at any time appointed for payment thereof as aforesaid, compound interest shall be payable and  
the sum in arrear for interest from time to time, as well after as before maturity, shall bear interest  
at the rate aforesaid, and in case the interest and compound interest are not paid in ~~six~~ months  
from the time of default a reet shall be made, and compound interest at the rate aforesaid shall be  
payable on the aggregate amount then due, as well after as before maturity, and so on from time to time,  
and all such interest and compound interest shall be a charge upon the said lands.

THE MORTGAGOR agrees that neither the preparation, execution nor registration of this Indenture  
shall bind the Mortgagor to advance the money hereby secured, nor the advance of a part of the moneys  
secured hereby bind the Mortgagee to advance any unadvanced portion thereof, but nevertheless the  
estate hereby conveyed shall take effect forthwith upon the execution of these presents by the said  
Mortgagor, and the expenses of the examination of the title and of this mortgage and valuation are to be  
secured hereby in the event of the whole or any balance of the principal sum not being advanced, the  
same to be charged hereby upon the said lands, and shall be without demand thereof, payable forthwith  
with interest at the rate provided for in this mortgage, and in default the said Mortgagee's power of sale  
hereby given, and all other remedies hereunder, shall be exercisable.

AND the said Mortgagor covenants with the Mortgagee that in the event of non-payment of the said  
principal moneys at the time or times above provided, he shall not require the Mortgagee to accept  
payment of said principal moneys without first giving six months' previous notice in writing, or paying  
a bonus equal to three months' interest in advance on the said principal moneys.

THE said Mortgagor covenants with the said Mortgagee that the Mortgagor will pay the Mortgage  
money and interest and observe the above proviso, and will pay as they fall due all taxes, rates and  
assessments, municipal, local, parliamentary and otherwise which now are or may hereafter be  
imposed, charged or levied upon the said lands and premises;

THAT the Mortgagor has a good title in fee simple to the said lands.

AND that he has the right to convey the said lands to the said Mortgagee;

AND that on default the Mortgagee shall have quiet possession of the said lands free from all  
encumbrances.

AND that the said Mortgagor will execute such further assurances of the said lands as may be requisite;  
AND that the said Mortgagor has done no act to encumber the said lands;

Figure 11.8. Repayment Page of Mortgage  
—Blended Payment

## OFFER TO PURCHASE

Dre & Durham Limited Toronto  
Printers to the Legal Profession  
Form No. 116

We, RONALD CRAIG ANDERSON and LUCILLE CAROLINE ANDERSON  
 of the City of Toronto (as purchaserS), hereby agree to and with  
 JOHN SMITH and MARY SMITH (as vendorS), through BROWN REAL ESTATE LIMITED  
 to purchase all and singular the premises situate on the south side of Helena Avenue,  
 in the City of Toronto known as 984 Helena Avenue.  
 (herein called "the real property")  
 having frontage of about twenty---(20) more or less, by a depth of about eighty---(80) feet  
 being easterly half Lot No. 105 according to Plan No. 5948  
 Registered in the Registry Office for the Registry Division of Toronto  
 at the price or sum of Twenty-Eight Thousand Nine Hundred----- Dollars (\$28,900.00)  
 as follows: Two Thousand----- Dollars (\$2,000.00)  
 cash or certified cheque to the said Agent/Vendor on this date as a deposit, and covenant, promise and agree to pay  
 a further sum of Nine Thousand Six Hundred---(\$9,600.00)---Dollars to the vendor  
 by cash or by certified cheque on date of closing subject to the usual  
 adjustments.

Vendor agrees to take back a first mortgage for the balance of the purchase price, namely \$18,300.00, repayable \$500.00 quarter-yearly off principal plus interest at the rate of ten per centum per annum, and having five years to run, said mortgage to contain the privilege of renewing for a further period of five years on the same terms and conditions, save only for the proviso for renewal and providing payments are not in default. Said mortgage being open after the first five years and remaining open for the further period of five years, giving the purchaser the privilege of paying a greater amount or all at any time or times without notice or bonus.

The following items, the property of the Vendor, shall be included in this sale for the price above mentioned:—Storm and all screen doors; aluminium doors and storm windows; electric lights; fixtures; T.V. antennae, oil burner and equipment; runners on stairs and halls; drapery tracks. The hot water heater is on rental basis from the Hydro.

This Agreement shall be conditional upon the Vendor, at his own expense, complying with the provisions of the Planning Act and any amendments thereto.

PROVIDED the title is good and free from all encumbrances, except local rates, and except as aforesaid; said title to be examined by me at my own expense, and the Purchaser is not to call for the production of any title Deeds or Abstracts of Title, Proof or Evidence of Title, or to have furnished any copies thereof, other than those in Vendor's possession or under his control. Provided the same have been compiled with, the Purchaser accepts the property subject to municipal requirements, including building and zoning by-laws, and to restrictions and covenants that run with the land. The Purchaser to be allowed thirty (30) days from the date of acceptance hereof to investigate the title at his own expense, and if within that time he shall furnish the Vendor in writing with any valid objection to the title in which the Vendor shall be unwilling to remove, and which Purchaser will not waive, this agreement shall be null and void and the deposit money returned to the Purchaser without interest.

This offer to be accepted by December 14, 1972, otherwise void; and shall be deemed to be made or before the 31st day of January 1973, on which date possession of the said premises is to be given to the Purchaser, or to accept the present tenancies and to be entitled to the receipt of the rents and profits thereafter. This offer when accepted, shall constitute a binding contract of purchase and sale and in all respects shall be the essence of this agreement.

It is agreed that there is no representation, warranty, collateral agreement or condition affecting this agreement or the real property or the title or ownership expressed herein in writing.

Until completion of sale, all buildings and equipment on the property shall be and remain at the risk of the Vendor until closing and the Vendor will hold all policies of insurance effected on the property and the proceeds shall be in trust for the parties hereto, as their interests may appear. In the event of damage to the said buildings and equipment before the completion of this transaction, the Purchaser shall have the right to elect to take such proceeds and complete the purchase, or cancel this agreement, whereupon the Purchaser shall be entitled to the return without interest of all monies theretofore paid on account of this purchase.

Unearned Fire Insurance Premiums, Fuel, Taxes, Interest, Rentals and all Local Improvements and Water Rates to be proportioned and allotted to date of completion of sale. Deed or Transfer to contain covenant on part of the Purchaser to pay off any Mortgage that by the terms of this agreement is to be paid off and prepared at the expense of Vendor on form acceptable to the Purchaser's solicitor and if mortgage is to be given back, same to be paid back at the expense of the Purchaser on a form acceptable to Vendor and drawn pursuant to The Short Forms of Mortgages Act, Ontario.

Any tender of documents or money hereunder may be made upon the solicitor acting for the party on whom tender is desired and it shall be sufficient that a negotiable certified cheque may be tendered instead of cash.

Each party is to pay the costs for registration and taxes on his own documents.

Whenever the singular or masculine are used in this Offer, they shall mean and include the plural and feminine if the context or the parties hereto so require.

Dated at Toronto this 13th day of December 1972  
 IN WITNESS whereof we have hereunto set our hands and seals,  
 in the presence of:

*Herman J. Roberto*

Ronald C. Anderson

*Lucille Caroline Anderson*

WE, hereby accept the above offer and its terms, and covenant, promise and agree to and with the said above-named purchaser to duly carry out the same on the terms and conditions above mentioned, and we hereby accept the deposit of \$2,000 out of which the agent Brown Real Est. is hereby authorized to retain its commission of six per cent of an amount equal to the above mentioned sale price. Commission is only payable if the transaction is duly closed.

Dated at Toronto this 14th day of December, 1972

Witness:

*Herman J. Roberto*

*John Smith*  
*May Smith*

Figure 13.1. Agreement of Purchase and Sale—Page 1

JUDICIAL  
DISTRICT  
OF YORK

I, HERMAN GEORGE ROBERTO  
of the Borough of Scarborough  
in the Municipality of Metropolitan Toronto

To Wit: make oath and say

1. That I was personally present and did see the within or annexed Instrument and a Duplicate thereof duly signed, sealed and executed by Ronald Craig Anderson, Lucille Caroline Anderson, John Smith and Merv Smith-----  
----- the parties thereto
2. That the said Instrument and Duplicate were executed by the said parties at the City of Toronto
3. That I know the said parties
4. That I am a subscribing witness to the said Instrument and Duplicate

SWORN before me at the City  
of Toronto  
in the Municipality  
of Metropolitan Toronto  
this  
day of December

1972

A Commissioner, etc.

Dated December 1972

RONALD CRAIG ANDERSON  
and LUCILLE CAROLINE  
ANDERSON

TO

JOHN SMITH and  
MARY SMITH

**Offer to Purchase**

Hope & Dunham Co. Limited, 76 Richmond Street East, Toronto  
Law and Commercial Barristers

Vendor's Solicitor Smith, Fraser, Hamilton & Webb, 75 Maryvale Boulevard,  
Toronto

Wife's Name Mary Smith

Purchaser's Solicitor Hill, Johnston & Grant, 17 Princess Street South, Toronto

Wife's Name Lucille Caroline Anderson

Deed or Transfer to be made to Ronald Craig Anderson and Lucille Caroline Anderson, as joint tenants

Figure 13.1. Agreement of Purchase and Sale—Back.

# This Indenture

made (in duplicate) the twenty-eighth day of January  
one thousand nine hundred and seventy-three

In pursuance of The Short Forms of Leases Act, The Landlord and Tenant Act and amendments.

## Between

RONALD CRAIG ANDERSON, of the City of  
Ottawa, in the Regional Municipality  
of Ottawa-Carleton, Physician, and  
LUCILLE CAROLINE ANDERSON, his wife,  
of the same place,

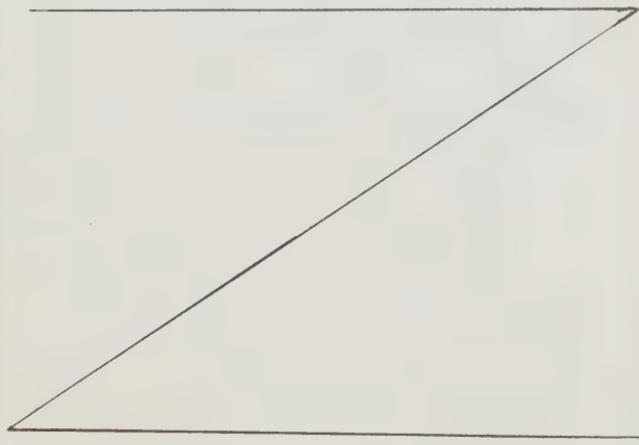
hereinafter called the LESSOR S , of the FIRST PART  
and

ELIZABETH MAUD PETERSON, of the City  
of Toronto, in The Municipality of  
Metropolitan Toronto, Secretary,

hereinafter called the LESSEE , of the SECOND PART

**Witnesseth**, that in consideration of the rents, covenants and agreements hereinafter reserved  
and contained on the part of the Lessee , the Lessor s DO demise and LEASE unto the  
Lessee , her executors, administrators, successors and assigns, all that messuage or tenement  
situate, lying and being in the Borough of Etobicoke, in the Municipality  
of Metropolitan Toronto, municipally known as 277 Lakeshore  
Drive North, Etobicoke.

---



TO HAVE AND TO HOLD the said demised premises for and during the term of two---(2) years to be computed from the first day of February one thousand nine hundred and seventy-three and from thenceforth next ensuing and fully to be complete and ended.

YIELDING AND PAYING therefor yearly and every year during the said term unto the Lessor, his heirs, executors, administrators, or assigns, the sum of FIVE THOUSAND SEVEN HUNDRED AND SIXTY (\$5,760.00)--Dollars (of lawful money of Canada), to be payable on the following days and times, that is to say, on the first day of each month as follows:

TWO HUNDRED AND FORTY---(\$240.00)---DOLLARS on the first days of February to December, 1973, January to December, 1974, and on the first day of January, 1975,

the first of such payment to become due and be made on the 1st day of February, 1973.

The Lessee covenants with the Lessor to pay rent, to keep the premises in an ordinary state of cleanliness, and to repair damage caused by his wilful or negligent conduct or that of persons permitted on the premises by him; and will not assign or sublet without leave, such leave not to be arbitrarily or unreasonably withheld.

The Lessor shall prepay to the Lessor the sum of \$ ----- which payment shall be applied in payment of rent for the last month under this lease, and the Lessor shall pay to the Lessee interest at the rate of 6% per annum on such prepayment.

PROVIDED that the Lessee may remove his fixtures, if such removal may be and is done without injury to the said premises.

PROVIDED that in the event of damage by fire, lightning or tempest, rent shall cease until the premises are rebuilt, and The Frustrated Contracts Act shall apply to this lease.

AND ALSO that if the term hereby granted shall be at any time seized or taken in execution or attachment, by any creditor of the Lessee, or if the Lessee shall make an assignment for the benefit of creditors, or becoming bankrupt or insolvent shall take the benefit of any Act that may be in force for bankrupt or insolvent debtors, the then current rent, together with the rent for three months thereafter, shall immediately become due and payable, all subject to the provisions of The Landlord and Tenant Act, as amended.

THE Lessor covenants with the Lessee for quiet enjoyment.

THE Lessor shall maintain the demised premises in a good state of repair, fit for habitation during the term of the lease, and complying with health and safety standards, including any housing standards required by law, notwithstanding that any state of non-repair existed to the knowledge of the Lessee before the lease was entered into. Subject to the provisions of The Landlord and Tenant Act, as amended, the Lessor shall be entitled to enter the demised premises and view the state of repair and make such alterations and repairs as necessary.

THE Lessor covenants with the Lessee that the Lessor will pay all taxes, rates, duties and assessments whatsoever whether municipal, parliamentary or otherwise, including water rates for the supply of water to the said building, and during the said term may be charged upon the demised premises or upon the Lessor or Lessee in respect thereof. The Lessee covenants with the Lessor that the Lessee will pay all gas and electric charges in connection with the demised premises and shall heat the said premises at his own expense.

PROVIDED that the Lessee will not do anything or permit to be done on the said premises anything which may be annoying to the Lessor or which the Lessor may deem to be a nuisance on the said premises or by which the insurance on the building or buildings on said premises may be increased.

PROVIDED that the Lessee shall use and occupy the said premises as a private dwelling house only, and will not carry on or permit to be carried on therein any trade or business.

PROVIDED that the Lessee shall not allow any ashes, refuse, garbage or other loose or objectionable material to accumulate in or about the building, yards or passages of such premises and will at all times keep the said premises in clean and wholesome condition, and shall, immediately before the termination of the term hereby created, wash the floors, windows and woodwork of the premises hereby demised.

PROVIDED that the Lessee shall keep the lawns in good condition and shall not, during the said term, injure or remove the shade trees, shrubbery, hedges or any other tree or plant which may be in, upon or about the said premises, and shall keep the sidewalks in front and at the sides of the said premises free of snow and ice.

THE Lessee covenants and agrees with the Lessor that he will not without the written consent of the Lessor erect or cause to be erected on the said building or any part thereof any television or radio antenna or any other device or apparatus whatsoever, and if any such television or radio antenna, device or apparatus is erected without such written consent, to immediately remove the same upon request of the Lessor or his agent or representative. The Lessee further agrees that if any such television or radio antenna, device or apparatus is erected on the said building he (whether with or without the consent of the Lessor) will at his own expense repair any damage done to the building or premises by reason of the erection, maintenance or removal thereof and will indemnify and save harmless the Lessor, his servants or agents from all liability for damages to persons or property as a result of the erection, maintenance or removal thereof.

THE Lessee further covenants and agrees with the Lessor that in case the said leased premises shall be vacated or abandoned, the Lessor in addition to all other rights hereby reserved to him, shall have the right to enter the same either by force or otherwise without being liable for any prosecution therefore, and to re-let the said premises and to receive the rent therefor. PROVIDED that if the rent hereunder is overdue and the premises are vacant, it shall be presumed that the Lessee has vacated or abandoned the said premises and the Lessor shall be entitled to take immediate possession thereof.

Figure 16.1. Completed House Lease—Page 2

Nothing in this lease contained and no entry made by the Lessor hereunder shall in any way release the Lessee from payment of the rent hereby reserved during the term hereof beyond such sum as may be realized by the Lessor by the re-leasing hereinafter allowed.

THE Lessor shall not be liable for any damage to any property at any time in the said premises or building from gas, water, steam, waterworks, rain or snow, which may leak into, issue or flow from any part of the said building of which the premises hereby leased are a part or from the pipes or plumbing works of the same, or from any other place or quarter.

THE Lessee shall give the Lessor prompt written notice of any accident or other defect in the water pipes, gas pipes or heating apparatus, telephone, electric light or other wires.

THE Lessee shall be liable for any damage done by reason of water being left running from the taps in the demised premises or from gas permitted to escape therein.

PROVIDED that if the Lessee be assessed as a Separate School Supporter, he will pay to the Lessor a sum sufficient to cover the excess of the Separate School tax, over the public school tax, if any, for a full calendar year and the Lessee shall pay to the Lessor on demand, as additional rent, any increase in real property taxes and local improvements assessed against the said premises over and above those levied for the said calendar year.

PROVIDED that if the Lessee remain in occupation of the demised premises after the expiration of the term hereby granted without a written agreement to the contrary, he shall not be deemed to be a tenant from year to year, but shall be a monthly tenant at a rental equivalent to the monthly payment of rent herein provided for, payable in advance, and all the terms and conditions hereof, so far as applicable, shall apply to such monthly tenancy.

THE acceptance by the Lessor of arrears of rent or compensation for use or occupation of the premises after notice of termination of the lease has been given shall not operate as a waiver of the notice or as a reinstatement of the lease or as a creation of a new lease unless the parties so agree.

PROVIDED that upon notice of termination of the lease being given, the Lessor shall have the right, at reasonable times during daylight, to enter and show the demised premises to prospective tenants; otherwise, except in cases of emergency, the Lessor shall not exercise a right to enter the rented premises unless he has first given written notice to the Lessee at least twenty-four hours before the time of entry, which shall be during daylight and specified in the notice.

IF the Lessee is obliged to vacate the demised premises on or before a certain date and the Lessor has entered into a lease with a third party to rent the said premises after such date and the Lessee fails to vacate the said premises thereby causing the Lessor to be liable to such third party, then the Lessee shall, in addition to any other liability hereunder, indemnify the Lessor for all losses suffered by reason of his failure to vacate.

IT IS agreed between the parties hereto that every covenant, proviso and agreement herein contained shall enure to the benefit of and be binding upon the parties hereto, and their respective heirs, executors, administrators, successors and assigns, and that all covenants herein contained shall be construed as being joint and several, and that when the context so requires or permits the singular number shall be read as if the plural were expressed, and the masculine gender as if the feminine or neuter, as the case may be, were expressed.

In witness whereof the parties hereto have hereunto set their hands and seals.

SIGNED, SEALED AND DELIVERED

in the presence of

Ronald Craig Anderson

Lucille Caroline Anderson

Elizabeth Maud Peterson

The Lessee acknowledges receipt of a fully executed duplicate original of this lease on the \_\_\_\_\_ day of January 19 73

AFFIDAVIT AS TO AGE AND MARITAL STATUS

AMENDED MARCH 1972

WE RONALD CRAIG ANDERSON, and LUCILLE CAROLINE ANDERSON, both  
of the City of Ottawa  
in the Regional Municipality of Ottawa-Carleton

\* If attorney  
for someone  
else  
make oath and say: When we executed the attached instrument,

We were at least eighteen years old.

Strike out  
inapplicable  
clauses:

I was -- married / divorced / widower.

was my wife / husband.

We were married to each other.

We held the land as Joint Tenants / Trustees / Partnership Property.

Resident of  
Canada, etc.

(SEVERALLY) SWORN before me at the City  
of Toronto in the Municipality  
of Metropolitan Toronto  
this day of January 19 73

}

A COMMISSIONER FOR TAKING AFFIDAVITS, ETC.

\* Where affidavit made by attorney substitute: "When I executed the attached instrument as attorney for (name), he/she was (marital status, and if married, name of spouse), and when he/she executed the power of attorney, he/she had attained the age of majority".

Figure 16.1. Completed House Lease—Page 4

## AFFIDAVIT OF SUBSCRIBING WITNESS

AMENDED MARCH 1972

I, PETER THOMAS GRANT

of the City of Toronto

in the Municipality of Metropolitan Toronto, Solicitor,

make oath and say:

I am a subscribing witness to the attached instrument and I was present and saw it executed  
 at the City of Toronto by Ronald Craig Anderson, Lucille  
 Caroline Anderson, and Elizabeth Maud Peterson.

\*See footnote

\*See footnote

I verily believe that each person whose signature I witnessed is the party of the same name referred to in the instrument.

SWORN before me at the City

 of Toronto in the Municipality  
 of Metropolitan Toronto  
 this day of January 1973

A COMMISSIONER FOR TAKING AFFIDAVITS, ETC

\* Where a party is unable to read the instrument or where a party signs by marking his mark or in foreign characters add "after the instrument had been read to him and he expressed fully to understand it". Where executed under a power of attorney insert "name of attorney" as attorney for (name of party); and for next clause substitute "I verily believe that the person whose signature I witnessed was authorized to execute the instrument as attorney for (name)".

Dated January 28, 1973

 RONALD CRAIG ANDERSON,  
 and LUCILLE CAROLINE  
 ANDERSON

— TO —

ELIZABETH MAUD PETERSON

**House Lease**

FOR YEARS

Commencing	February 1	1973
Ending	January 31	1975
Yearly Rent	\$2,880.00	

 Dyer & Dyer Limited — Law and Contractors  
 17 Princess Street S.  
 Toronto, Ontario  
 M8Y 3N5

Figure 16.1. Completed House Lease—Back



# THE ROYAL BANK OF CANADA

FORM 3300 (3-73)

## APPLICATION FOR MORTGAGE

BRANCH

NAME OF APPLICANT(S) IN FULL _____ _____ _____		TELEPHONE Business _____ Residence _____
PRESENT ADDRESS (Number, Street, City or Town, Province) _____ _____		
TITLE OF PROPERTY WILL BE / IS IN NAME(S) OF _____		

### DETAILS OF MORTGAGE REQUIRED

TYPE OF MORTGAGE	AMOUNT \$	INT. RATE %	TERM Years	AMORTIZATION Years	DATE REQUIRED	PROGRESS ADVANCES <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Conventional						
<input type="checkbox"/> High Ratio Amount of Mortgage includes Mortgage Insurance Fee \$ _____ payable by Applicant(s)					MONTHLY PRINCIPAL AND INTEREST PLUS ONE TWELFTH ESTIMATED ANNUAL TAXES	ESTIMATED ANNUAL TAXES \$ _____

### PURPOSE OF MORTGAGE (Complete only A or B or C)

A  PURCHASE  (ATTACH COPY OF OFFER TO PURCHASE)	FIRST MORTGAGE REQUIRED ..... \$ _____
	SECOND MORTGAGE, IF ANY ..... \$ _____
	CASH PAYMENT BY APPLICANT(S) ..... \$ _____
	PURCHASE PRICE OF PROPERTY (Estimated date of closing) ..... 19 ____ \$ _____
DETAILS OF SECOND MORTGAGE: LENDER (Name and address) ..... AMOUNT \$ ..... INT. RATE ..... % MONTHLY PAYMENT \$ .....	
B  CONSTRUCTION  (ATTACH COPY OF SITE PLAN, BUILDING CONTRACT INCLUDING SPECIFICATIONS AND PLANS)	CONTRACT PRICE OF BUILDING (Estimated date of completion) ..... 19 ____ \$ _____
	LOT YEAR PURCHASED 19 ____ COST ..... \$ _____
	CASH PAYMENT BY APPLICANT(S) \$ ..... TOTAL COST ..... \$ _____
	DETAILS OF SECOND MORTGAGE, IF ANY: LENDER (Name and address) ..... AMOUNT \$ ..... INT. RATE ..... % MONTHLY PAYMENT \$ .....
C  REFINANCING	PURPOSE OF REFINANCING ..... DATE PROPERTY PURCHASED ..... 19 ____ PURCHASE PRICE \$ _____
	NAME AND ADDRESS OF PRESENT FIRST MORTGAGEE (IF ANY) ..... BALANCE OWING \$ _____
	NAME AND ADDRESS OF PRESENT SECOND MORTGAGEE (IF ANY) ..... BALANCE OWING \$ _____
	SINCE PURCHASING \$ ..... HAS BEEN SPENT ON THE FOLLOWING IMPROVEMENTS: (Extra Bathroom, Garage, Recreation Room, etc.) .....
APPLICANT'S ESTIMATED VALUE OF THE PROPERTY TODAY ..... \$ _____	

### PARTICULARS OF SECURITY

CIVIC ADDRESS (NUMBER, STREET, CITY OR TOWN, PROVINCE)					
LEGAL DESCRIPTION (LOT OR BLOCK AND SUBDIVISION NUMBER(S))		PLAN			
LOT	FRONTAGE FEET	DEPTH FEET	TOTAL AREA	SQUARE FEET	
BUILDING	NUMBER OF FAMILY UNITS <input type="checkbox"/> Single <input type="checkbox"/> Duplex		TYPE OF DWELLING <input type="checkbox"/> Detached <input type="checkbox"/> Semi-detached <input type="checkbox"/> Attached		
	<input type="checkbox"/> Brick <input type="checkbox"/> Stone <input type="checkbox"/> Frame <input type="checkbox"/> Other, Specify _____				
CONSTRUCTION	NO. OF STOREYS	BASEMENT <input type="checkbox"/> Full <input type="checkbox"/> Part <input type="checkbox"/> None	AGE Years	NO. OF ROOMS	NO. OF BATHROOMS
	TYPE OF HEATING	DRIVEWAY <input type="checkbox"/> Yes <input type="checkbox"/> No	GARAGE <input type="checkbox"/> Yes <input type="checkbox"/> No	GARAGE CONSTRUCTION (SPECIFY)	
	OTHER FEATURES (Fireplace, Recreation Room, etc.) .....				
SERVICES	DRAINAGE <input type="checkbox"/> Sewer <input type="checkbox"/> Septic	WATER <input type="checkbox"/> Municipal	<input type="checkbox"/> Well		

**SEE OVERLEAF**

WITH RESPECT TO AN APPLICATION FROM A MARRIED WOMAN, THE FOLLOWING INFORMATION IS REQUIRED ON THE HUSBAND.

**PERSONAL INFORMATION**

EMPLOYER'S NAME AND ADDRESS			
POSITION		LENGTH OF SERVICE YEARS	ANNUAL INCOME \$
IF EMPLOYED LESS THAN TWO YEARS, PREVIOUS EMPLOYER'S NAME AND ADDRESS		LENGTH OF SERVICE YEARS	
WIFE'S EMPLOYER (IF ANY) AND ADDRESS		LENGTH OF SERVICE YEARS	WIFE'S ANNUAL INCOME \$
SOURCE OF ANY OTHER INCOME (Rents, Stocks, Bonds, etc.)		ANNUAL AMOUNT \$	
<b>IT WILL SPEED CONSIDERATION OF THE APPLICATION IF APPLICANTS WHO ARE:</b>			
EMPLOYED: Attach a letter from their employers confirming income or alternatively make available for confidential perusal a copy of last year's Income Tax T 4 Slip.			
SELF-EMPLOYED: Attach audited current Financial Statement, or a copy of last year's Income Tax T 1 General. In either case, the document will be returned.			
APPLICANT'S MARITAL STATUS <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Widower		AGE years	AGES OF CHILDREN (QUEBEC ONLY) <input type="checkbox"/> Separate <input type="checkbox"/> Community
BANK ACCOUNTS	NAME OF BANK(S)	BRANCH(ES)	ACCOUNT No. AND TYPE No. <input type="checkbox"/> Savings <input type="checkbox"/> Chequing No. <input type="checkbox"/> Savings <input type="checkbox"/> Chequing
LIST ALL PRESENT OBLIGATIONS OTHER THAN MORTGAGE INDEBTEDNESS: (Names and addresses)			BALANCE OWING      MONTHLY PAYMENT
-----			\$ ----- \$ -----
-----			\$ ----- \$ -----
-----			\$ ----- \$ -----
-----			\$ ----- \$ -----
-----			\$ ----- \$ -----
TOTAL PRESENT OBLIGATIONS AND PAYMENTS			\$ ----- \$ -----
HAVE YOU ENDORSED NOTES OR GUARANTEED THE OBLIGATION OF ANY OTHER PERSON? <input type="checkbox"/> NO <input type="checkbox"/> YES IF 'YES', AMOUNT \$ FOR WHOM? (Name and address)			

**STATEMENT OF ASSETS AND LIABILITIES**

ASSETS	DOLLARS	LIABILITIES	DOLLARS
Cash on hand and in Banks .....	\$ -----	Total Present Obligations .....	\$ -----
Bonds and Stocks .....	\$ -----	Present First Mortgage (if any) .....	\$ -----
Accounts Receivable .....	\$ -----	Present Second Mortgage (if any) .....	\$ -----
C.S.V. of Life Insurance .....	\$ -----	Other Liabilities: .....	\$ -----
Land and Buildings .....	\$ -----		\$ -----
-----	\$ -----		\$ -----
-----	\$ -----		\$ -----
-----	\$ -----		\$ -----
TOTAL .....	\$ -----	NET WORTH .....	\$ -----
		TOTAL .....	\$ -----

I/We hereby certify that the information given above is correct. If application is for a Combined mortgage this information may be disclosed to TanYor Ltd. It is understood that appraisal fees and legal expenses incidental to this application will be paid by me/us. It is also understood that if the applicant is a married woman, her husband will add his covenant to the mortgage.

DATE

SIGNATURE

SIGNATURE

Figure 11.1. Mortgage Application—Reverse Side

**RESIDENTIAL CONDOMINIUM  
AGREEMENT OF PURCHASE & SALE**

Dye & Durham Co., Limited  
Form No. 122

The Purchaser ..... offers to buy  
from the Vendor ..... through the Vendor  
agent ..... that condominium unit known as .....  
Unit ..... Level ..... Condominium Corporation No. ...., municipally known as .....  
in the common elements and in the assets and reserve fund of the Condominium Corporation, at the purchase price of (\$ ..... Canadian dollars, on the following terms:

1. The Purchaser submits with this offer cash/cheque payable to the Vendor's agent as a deposit to be held by such agent in trust pending completion or other termination of this Agreement and to be credited towards the purchase price on completion.
2. The Purchaser agrees to:

and to pay the balance of the purchase price, subject to the adjustments herein stated, in cash or by certified cheque upon closing.  
3. All existing fixtures are included in the purchase price except those listed hereunder:

and the following chattels are included in the purchase price:

at an estimated value of \$

4. The Vendor represents that the owner of the Unit is entitled to the exclusive use of the following portions of the common elements:
  - a) Parking space no. ..... at a rental of \$ ..... c) Patio/Balcony
  - b) Storage locker space ..... d) Other: .....
5. The Purchaser agrees that this offer shall be irrevocable by him until 11:59 p.m. on the ..... day of ..... after which time, if not accepted, this offer shall be null and void and the deposit shall be returned to the Purchaser forthwith, without interest or deduction.
6. This Agreement shall be completed on the ..... day of ..... 19 ..... Upon completion, vacant possession of the Unit shall be given to the Purchaser unless otherwise provided.
7. The Vendor consents to a request by the Purchaser or anyone acting on his behalf for an estoppel certificate from the Condominium Corporation and municipal work order report.
8. The Purchaser shall be allowed ..... days following the date of acceptance of this offer to examine at his own expense the title to the Unit, to satisfy himself that there are no outstanding work orders affecting the Unit and that its present use may be lawfully continued. The Purchaser acknowledges having inspected the Unit prior to submitting this offer.
9. The Purchaser agrees to accept title subject to local rates, municipal agreements and zoning by-laws, existing service contracts, the provisions of The Condominium Act, the condominium declaration, by-laws and rules and regulations, and existing easements or licenses provided that the same have been fully complied with and further agrees to accept title subject to:

10. The Vendor represents to the Purchaser, that to the best of his knowledge and belief, no special assessments have been made against the Unit which have not been fully paid, no special assessments are contemplated by the Condominium Corporation, the voting rights for the Unit have ..... been assigned, there are no legal actions contemplated by or against the Condominium Corporation and the condominium declaration and by-laws contain no restrictions concerning the sale of the Unit, except as follows:

11. The Vendor represents that the present monthly common expense payments are \$ ..... and include hydro rates, water rates, heating charges, maintenance of common elements, reserve fund levy and master policy fire insurance premiums. In addition, there are the following amounts to be paid:

*The provisions on the reverse side form part of this Agreement.*

SIGNED, SEALED AND DELIVERED  
in the presence of:

IN WITNESS WHEREOF I have hereunto  
set my hand and seal:

Date: .....

(Purchaser)

Date: .....

(Purchaser)

Date: .....

The undersigned accepts the above Offer and agrees with the Agent above named in consideration for his services in procuring the said Offer, to pay him on the date above fixed for completion, but only if, as and when the transaction closes, a commission of % of an amount equal to the above mentioned sale price, which commission may be deducted from the deposit. I hereby irrevocably instruct my Solicitor to pay direct to the said Agent any unpaid balance of commission from the proceeds of the sale.

SIGNED, SEALED AND DELIVERED  
in the presence of:

IN WITNESS WHEREOF I have hereunto  
set my hand and seal:

Date: .....

(Vendor)

Date: .....

(Vendor)

## PROVISIONS

(a) Within 10 days of acceptance, the Vendor shall provide the Purchaser with copies of the declaration, by-laws, rules and regulations and, if given to the Vendor, the current budget and latest financial statement, failing which the Vendor shall bear the expense of the Purchaser obtaining the same.

(b) The Purchaser shall not otherwise call for the production of any title deed, abstract, survey or other evidence of title or condominium documentation except such as are in the possession of the Vendor.

(c) The Vendor shall convey to the Purchaser good title to the Unit free from encumbrance except as aforesaid and except for any registered restrictions or covenants that run with the land providing that such are complied with. If within the time allowed for examining title any valid objection to title, or to any outstanding work order, or to the fact the said present use may not lawfully be continued, is made in writing to the Vendor and which the Vendor is unable or unwilling to remove, remedy or satisfy and which the Purchaser will not waive, then this Agreement, notwithstanding any intermediate acts or negotiations in respect of such objections, shall be at an end and all monies paid shall be returned without interest or deduction and neither the Vendor nor his agent shall be liable for any costs or damages. Save as to any valid objection so made and except for any objection going to the root of title, the Purchaser shall be conclusively deemed to have accepted the Vendor's title to the Unit.

(d) The Unit and chattels being purchased shall be and remain until completion at the risk of the Vendor. In the event of substantial damage to the Unit or common elements, the Purchaser shall either (a) be entitled to the return without interest of all monies paid on account of this purchase and the agreement shall be terminated, or (b) permit the proceeds of insurance to be used for repair of such damage in accordance with the provisions of The Condominium Act, the condominium declaration and by-laws and the insurance trust agreement, if any, and complete the transaction. In the event the damage to the Unit or common elements is such that the government of the property of which the Unit forms a part is terminated under The Condominium Act, this Agreement shall be at an end and all monies paid shall be returned forthwith to the Purchaser without interest or deduction.

(e) The Purchaser warrants that he is not a non-resident of Canada pursuant to The Land Transfer Tax Act.

The Vendor shall provide a Certificate of Lien Clearance or an Affidavit claiming exemption under The Land Speculation Tax Act.

(f) The Purchaser shall be credited on completion with any monies he becomes obligated to pay to the Minister of National Revenue because of the Vendor's non-residency status, unless the Vendor then delivers to the Purchaser either the prescribed clearance certificate under the Income Tax Act or a statutory declaration that he is not then a non-resident of Canada for the purposes of the Act. Unearned realty taxes, local improvement charges, utility charges and costs of fuel that are billed to the Unit, common expense payments, and the Unit's proportionate share of any obligation or contingent liability which is likely to increase the common expense payments are to be apportioned and allowed to the date of completion (the day itself to be apportioned to the Purchaser).

(g) The deed or transfer shall, save for affidavits required under The Land Transfer Tax Act, be prepared in registerable form at the expense of the Vendor and the mortgage, if any, at the expense of the Purchaser.

(h) Time shall in all respects and at all times be of the essence, but the time for doing or completing any matter may be extended or abridged by an agreement in writing signed by the Vendor and the Purchaser or by their respective solicitors who are hereby expressly authorized to act in this regard.

(i) Any tender of documents or money hereunder may be made upon the Vendor or the Purchaser or their respective solicitors. Money may be tendered by bank draft or cheque certified by a chartered bank, trust company or Province of Ontario Savings Office.

This Agreement shall constitute the entire agreement between the Purchaser and the Vendor and there is no representation, warranty, collateral agreement or condition affecting this Agreement other than as expressed herein in writing. This Agreement shall be read with all changes of gender or number required by the context.

## ACKNOWLEDGMENT

I acknowledge receipt of my signed copy of this accepted Agreement of Purchase and Sale.

I acknowledge receipt of my signed copy of this accepted Agreement of Purchase and Sale.

(Vendor) Date: (Purchaser) Date:

(Vendor) Date: (Purchaser) Date:

Address:

Telephone No.: \*

Purchaser's Solicitor:



# Help!



# Help!

(Where to get it)

Real Estate, Brokers, Leasing, Mortgages, Foreign Lands  
Office of the Registrar

Real Estate and Business Brokers Act

555 Yonge Street, 5th Floor

Toronto, Ontario M4Y 1Y7

(416) 965-2504

Regional Offices:      Windsor  
                            Hamilton  
                            Ottawa

## Housing

Ministry of Housing

101 Bloor Street West

Toronto, Ontario M5S 1P8

Property Rights Division

Ministry of Consumer and Commercial Relations

400 University Avenue, 15th Floor

Toronto, Ontario M7A 2J8

Ontario Mortgage Brokers' Association

8 King Street East, Suite 1710

Toronto, Ontario M5C 1B5

(416) 364-4027

Central Mortgage and Housing Corporation

Ontario Regional Office

145 King Street West

Toronto, Ontario M5H 1J8

(416) 361-0420



# Tips you can use!



# How to Write a Complaint Letter

- be factual
- don't be apologetic
- don't threaten
- keep your sense of humour and you'll get the reader on your side
- include the following information:
  - a. Your name, address and telephone number.
  - b. The name of the offending company and its address.
  - c. Make of product, model year if applicable, and warranty number if it is a warranty complaint.
  - d. A brief description of what took place on what dates, and what was done to solve the problem.
  - e. A brief account of the cost to you including money, time lost from work, cabs, buses, and getting repairs or assistance elsewhere.
  - f. Copies of work orders, letters, receipts, or other written material between yourself and the company. Never send originals -- get them copied.
  - g. Briefly describe the conduct of the person you dealt with. It is not necessary to be too explicit -- the term "offensive language" will cover a multitude of sins.
- Include how the complaint was received, their willingness to talk things over, their efforts to resolve the problem.
- h. Address your complaint to the top. Find out the name by calling the company and asking.
- i. Send copies to government agencies or consumer groups which might be able to help. List them under the heading: "Copies to" at the bottom of your letter.  
See "Help!"

j. It is important that your letter goes to the right person. Take some time to find out who that person is, and take the time to write it well.

# The Speaker in the Classroom

## Checklist for the Teacher

### Picking a Speaker

1. Pick a model. 'This person represents the banking industry'.
2. Pick someone who knows his or her subject, is willing to be flexible, likes young people and wants to help.

### Preparing

3. Try to avoid having a speaker talk to the whole school at once. Such large numbers make a real exchange of information almost impossible.
4. Survey the class. If possible, have them prepare five or six questions they want answered.
5. Be prepared to give the speaker, verbally or in short notes, a lesson plan which details exactly the material you would like covered.
6. Be careful to give the speaker enough notice to allow preparation.
7. Some notes for the speaker are enclosed. You may wish to give the speaker a copy when you first speak to him or her.
8. Call the speaker within a few days after your initial talk. He or she will have had time to think things over, read your notes and make some mental plans. A short discussion with you now can clarify the speaker's thoughts and get them moving.

# Notes for the Speaker

## When You Are Talking With The Teacher

1. Find out who you will be talking to -- a class or the whole school? Where? The home room or a gym? It is the difference between a talk by you and a discussion with them.
2. Find out what the teacher doesn't know about the subject. You are needed to provide new materials as well as a new face.
3. Find out what the class and the teacher really want to know.

## Preparing

4. Limit yourself to 15 minutes of input. This can be spread out with questions mixed in if the group is small enough.
5. Booklets or anything you can hand out serve to focus attention on your subject, remind them once you've gone.
6. If the students have been studying the topic, they will be prepared with questions for you. Then you can deal more specifically with the topic.  
If they have not been studying the topic, give an overview.
7. Remember that a speech is listened to as music is heard -- it flows, certain parts stand out, but there is not time to stop and run over in your mind the last few bars. The player has moved on! The waltz has become a rag, and you must stay with him or stop listening altogether.  
Because of this, give only the highlights of your subject. This is especially important if you are speaking to a large group, because it is difficult to

get a 'give and take' going. With a single class your questions will bring out answers and further questions, until the class has covered far more detail than you would have thought possible.

## Arrive Ahead Of Time

### When You Are Faced With The Class

#### Ways of Getting Started

8. Find out what they've been doing so far. Ask them questions, not just on the subject matter but on their approach to the subject in school.  
Don't give out a lot of material at this point. Try to tune in to where they are -- find out what they want to hear.
9. Alternately, you might explain who you are, where you are from. Give little facts about yourself, like "Yes, I am married. I'm \_\_\_ years old." This fits you into a framework, makes you a person and satisfied their curiosity about you. Now they can relax and pay attention to the subject on which you have come to speak.

#### Ways to Keep On

10. Don't be too established in what you are going to say. No written text. If anything, a few notes on large points to cover.
11. If you have a gimmick, now is the time to spring it on them. It will draw their eyes away from you and focus the conversation on something they can see and feel and relate to.  
(A speaker on environment control brings a bag of garbage to some classes. At this point, he spills it onto the floor. This kicks off discussion on the things people throw away, and eventually gets back to his point.)

12. Continue using questions to keep them with you, part of the discussion. Use questions to introduce new angles: "Now what do you suppose would happen if .... Does anyone know where to find .... How would you go about ...."

Get to new levels of thought by building on questions and answers. They know the answer -- you just have to learn to ask the right question!

13. Keep it activity oriented if possible. In class groups, skits are possible.

(Same environment control speaker: "I'm a Beckers manager and you are a customer who doesn't want to buy non-returnable bottles. But I only stock non-returnables. What would you do?" Ask for volunteers. Repeat with one or two. Don't be afraid to stop the skit and replace the volunteer if it isn't working. Pretty soon they're suggesting other approaches. This gets them interested and gives them something they can do -- a way they can act on the knowledge you have brought to them.

14. Give them a new skill.

How to make an ecology system, how to talk to a Beckers manager, how to open a bank account, how to open a safe, how to complain when they see unfair practices, etc.

15. Audio visuals are often useful. Keep films short - 12 to 15 minutes. Slide shows are useful, but they must be relevant. You could liven them up by encouraging discussion during the viewing. Turn off the sound and start asking questions related to the material on the slides.

16. A good ratio: 50/50 informative talk and questions.

## **Other Skits and Questions for Ideas**

A Banker. "I am walking into a bank. There's a security guard. The teller is over there. That's where you draw out money. The information people are behind another counter. In the back is the vault, etc." Describing the scene graphically.

"Okay. I'm a teller and you want to open an account."

"How much money do you think is really kept in a bank?"

Tell them about bank robberies. This leads to safety precautions. How quickly could the police get there?

Would they want to be a bank manager?

Describe what people do in a bank.

Show a bank book and discuss why they should have a bank account.

How banks control the economy of the country.

Interest rates.

Legislation regarding banking.

How to take out a loan.

What is credit?

Car Dealer. "I'm the salesman and you want to buy a new car. What's the first thing you want to know?"

Lawyer. "A man comes into the office and wants to sue his neighbour for libel. What do you do?"

Speaker on Business Practices. "I'm the clerk and I've sold you this wristwatch. Now it's not working. What do you do?"

"I'm a door-to-door salesman, and I'm going to sell you something. Just open the door when I knock on it."

## Sources of Free Pamphlets

The following list gives names and addresses of agencies that have indicated their willingness to provide free pamphlets as resource materials. Contact them directly for copies of the pamphlets.

Bank of Montreal  
First Canadian Place  
Toronto, Ontario M5X 1A1

- Banking Forms

Better Business Bureau  
85 Richmond Street West  
Suite 900  
Toronto, Ontario M5H 2E7

- Series - 16 books

Canadian Association of Broadcasters  
1240 Bay Street  
Suite 302  
Toronto, Ontario M5R 2A7

- Broadcast Code of Advertising for Children  
- Canadian Code of Advertising Standards  
- Advertising Today  
- Code of Consumer Advertising Practices  
- Practices for Non Prescription Medicines

Canadian Bankers Association  
Box 282  
Toronto Dominion Centre  
Toronto, Ontario M5K 1K2

- Your Money & Credit Today and Tomorrow  
- Banking for your Club

Canadian Consumer Loan Association  
21 St. Clair Avenue East  
Toronto, Ontario M4T 1L8

- It's Your Money  
- Canadian Consumer Credit Fact Book - 1974

Canadian Foundation for Economic Education  
155 University Avenue  
Toronto, Ontario M5H 3B6

- Perspectives  
- Rapport

Canadian Imperial Bank of Commerce  
Head Office  
Commerce Court  
Toronto, Ontario M5L 1A2

- Focus on Your Finances Series

Canadian Life Insurance Association  
15 Floor, 44 King Street West  
Toronto, Ontario M5H 1E9

- Hot Line: 1-800-261-866  
- How to Live Happily without a Price on your Head  
- Sharpen your Pencil  
- You & your Group  
- After the Gold Watch  
- That's Life  
- Sunshine Sketches  
Schedule: Lively Woman TB Series  
How to Compare (Life Policies)

Canadian Securities Institute  
Box 225  
Commerce Court South  
Toronto, Ontario M5L 1E8

- Investment Terms & Definitions

Canadian Standards Association  
178 Rexdale Blvd.  
Rexdale, Ontario M9W 1R3

- The Consumer - Newsletter

Central Mortgage & Housing  
650 Lawrence Avenue West  
Toronto, Ontario M5A 1B2

- Housing for Rural People
- Loans for New Homes
- Loans for Existing Housing
- Mobile Homes
- Home Improvement Loans
- Neighbourhood Improvement Loans
- If You have Ever Dreamed of a Home of Your Own
- List of Offices

Consumer Corporate Affairs  
480 University Avenue  
Toronto, Ontario M5G 1V2

- Helping You Get a Fair Deal
- Who We Are and What We Do

The Consumer Interest  
University of Guelph  
Department of Family Studies  
Guelph, Ontario N1G 2W1

- Newsletter of current books

Thomas Cook Travel  
Toronto Dominion Centre  
Toronto, Ontario  
M5K 1K8

- Specimen Cheques & Sleeves
- Readers Digest Report
- Foreign Currency - Swiss, Japanese, Hong Kong

Credit Grantors Association of Canada  
60 Bloor Street West  
Toronto, Ontario M4W 1A2

- How to Use Consumer Credit Wisely

Eaton's  
Consumer & Corporate Affairs  
19th Floor, 1 Dundas Street W.  
Toronto, Ontario M5B 1CB

- What You Should Know About Buying .....(Series)

Great West Life  
111 Richmond Street West  
Toronto, Ontario M5H 2G4

- What Everyone Should Know About Life Insurance

Insurance Bureau of Canada  
170 University Avenue  
Toronto, Ontario M5H 3B3

- A Young Driver's Guide to Car Insurance
- Drinking, Drugs and Driving
- Car Insurance Explained
- Home Insurance Explained
- Facts of the General Insurance Industry of Canada

Milk Marketing Board  
50 Maitland Street  
Toronto, Ontario M4Y 1C7

- Teaching Nutrition Effectivel  
(Program)
- The New 7-Day Milk Diet
- The Milk Diet Plan

Ministry of National Health & Welfare  
Ottawa, Ontario  
K1A 0K9

- Disability Benefits under  
the Canada Pension Plan

Ontario Co-op Development Association  
Suite 8  
14 Nelson Street West  
Brampton, Ontario L6X 1B6

- Co-ops are People Series

Ontario Food Council  
1200 Bay Street  
9th Floor  
. Toronto, Ontario M5R 2A7

- Guide to Good Eating
- Frozen Foods

Ontario Real Estate Association  
99 Duncan Mill Road  
Don Mills, Ontario M3B 1Z2

- A Career in Real Estate -  
Is it for You?

Ontario Ministry of the Attorney General  
Publications Centre  
3B-7 Macdonald Block  
Queen's Park  
Toronto, Ontario M7A 1N8

- Your Rights & Obligations  
Under the Landlord and  
Tenant Act

Ontario Ministry of Consumer & Commercial Relations  
Ontario Consumer  
Queen's Park  
Toronto, Ontario  
M7A 2H6

- Interaction
- Booklets
- Organizing a Co-op in Ontario
- Ontario Consumer Newsletter
- Rent Review

Ontario Ministry of Health  
7th Floor, 7 Overlea Blvd.  
Toronto, Ontario M4H 1A8

- The Ontario Health Insurance  
Plan - General Guide

Ontario Ministry of Housing  
Community Renewal Branch  
Queen's Park  
Toronto, Ontario M7A 1N3

- Ontario Home Renewal Program

Royal Bank of Canada  
20 King Street West  
Toronto, Ontario M5H 1C4

- Comparison Chart -- Sending  
Money out of the Country

Scotiabank  
44 King Street West  
Toronto, Ontario M5H 1A2

- Banking forms

Toronto Dominion Bank  
P.O. Box 1  
Toronto Dominion Centre  
Toronto, Ontario

- Code of Advertising Practice

Toronto Stock Exchange  
234 Bay Street  
Toronto, Ontario M5J 1R1

- List of publications and reports
- Ticker tape and all that

Unemployment Insurance Commission  
and Manpower Canada

890 Yonge Street  
Toronto, Ontario  
M4W 2J2

- Rights and Obligations
- Illness
- Maternity
- Students

Unity Bank of Canada  
85 Richmond Street West  
Toronto, Ontario M5H 2C9

- Banking Forms



# Consumer Education Resource Materials

## Part 5: Insurance



Ministry of  
Consumer and  
Commercial  
Relations



## Introduction

This Consumer Studies Kit is a direct result of discussions with educators in Northwestern Ontario. Its intention is to help you equip students to live full and useful lives, using their earnings, their credit and the marketplace as tools with which to achieve their aims.

Any thought, however brief, that students can be stimulated into giving to personal values, planning how to achieve an aim or develop a talent, or where and how to spend their money will be helpful later. The education you are providing can help reduce the need for additional consumer protection laws. Any legislation is a restriction of personal freedom, yet it is often necessary to reinforce the balance in the marketplace.

In preparing this material, we have not tried to dwell on the different kinds of rip-offs that perennially appear, nor do we wish to help send a shrewd, fearful, 'me first' graduating class into the marketplace. Rather, we hope they will see themselves as competent persons who can function effectively. And the marketplace, let it be seen as 'a rich and friendly resource, with a few danger spots around the edges.'

That is a quote from Fred T. Wilhelms, Ph.D., editor of The Consumer Educator. He has called Consumer Studies one of the humanities and suggests:

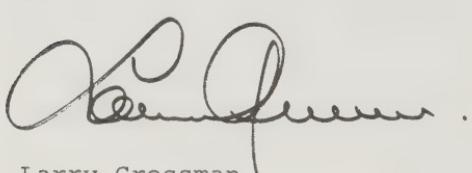
"While you are building your students' foundation of competence in buymanship, you can very naturally and with relative ease build also a superstructure of terribly important knowledge, insights, and attitudes. I have divided this superstructure into three areas:

1. You can help your students toward a rich image of the personal and family life they want to work toward, the values they mean to live by, and the commitments they will not forsake.
2. You can help your students toward a working familiarity with their economic system as it really is, along with developed values and commitments as to what they want to see it be and do.

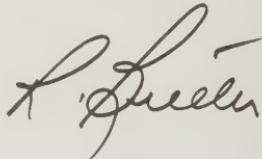
3. You can help your students toward a working acquaintanceship with the processes of government as they really work and with some of the major governmental institutions; even more important, you can help them work through to the beginnings of a social philosophy, a set of values and commitments they will push for as citizens."

As you can see, we feel that Consumer Studies is probably one of the most worthwhile courses you will teach. Putting this kit together has been an enriching and rewarding experience for all of us at the Ministry. Many of us met many of you. We found lively, interested people, working to keep courses up to date. We hope this Kit will be an 'encyclopedia of information' from which you can pull the facts and idea-starters you may need.

We are working now to develop information on other topics, but we need your input. Please keep in touch. Let us know how you are using this Kit and what you might like to see added so that it can be a useful tool for your work.



Larry Grossman  
Minister



R. J. Butler  
Deputy Minister

Please address any correspondence to:

Consumer Information Centre  
Communications Services Branch  
Ministry of Consumer and  
Commercial Relations  
555 Yonge Street  
Toronto, Ontario  
M7A 2H6

## How to Use This Kit

1. This section is broken into sub-sections such as Sources, Costs, Guidelines and Laws.
2. There is an index at the beginning for easy reference.
3. Projects and Topics for Discussion are included and are designed to provide situations students can encounter and work their way through.
4. Where applicable, blank forms have been included for use in class. You may wish to copy them for distribution or use them as overheads.
5. Extras such as audio visuals, graphs and tables have been noted at the end of the Index.
6. Where possible, lists of books have been included which may help students see topics from new angles.
7. The illustrations on most coloured dividers may be used as overheads.
8. The looseleaf style is used to let you pull information from several sections when planning a lesson.
9. Information is given in point form so you can skim it quickly, use pages for notes when teaching, use them as overheads, or copy them for passing to students.
10. Only the facts have been provided so that you and your students can draw your own conclusions.

The Kit has been divided into 5 parts: Credit, Transportation, Money, Housing and Insurance. Copies of these other parts are available by writing to:

Consumer Information Centre  
Communications Services Branch  
Ministry of Consumer and  
Commercial Relations  
555 Yonge Street  
Toronto, Ontario  
M7A 2H6



Teachers may order limited class sets of the brochures published by the Ontario Ministry of Consumer and Commercial Relations - please check below. You may note government publications required in the spaces provided. We will forward your request to the office involved.

Books listed in the Reference and Bibliography sections must be ordered from the publishers, whose names are provided. A nearby library may have many of these books available, or may be willing to order them for your use.

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# **Definition**

Insurance is protection against loss.

## **Objectives/Role of insurance**

The general function of insurance is to provide protection against loss.

The idea is to get the best protection for your money, taking into account your personal situation.

Once you have this point straight in your mind, you will be able to evaluate an insurance policy.

### Types of Insurance

Insurance can be classified according to the risk of loss which it covers. Thus the risk of loss of income to the individual or family as a result of death is covered by life insurance; loss or expenses resulting from accident or sickness by accident and sickness insurance; property loss or liability for injury arising from accident or mishap by property and casualty insurance or general insurance.

Coverages offered within the broad property and casualty

insurance classification include automobile insurance, property insurance (covering fire, theft, etc.) and personal liability insurance (protecting against injury or damage claims from other parties). Sometimes accident and sickness insurance is classified as property and casualty insurance.

Another quite different type of insurance from the above is social insurance. This type of insurance is administered by the federal or provincial governments for the public at large. It includes such programs as the Canada Pension Plan, Unemployment Insurance, Workmen's Compensation and health insurance through OHIP.

# **Life insurance**



# **Role**

The main role of life insurance:

It is protection  
for your dependents or other beneficiaries

Supplementary roles:

Encourages saving  
Long-term investment  
Tax delaying

Considered carefully, some of these uses may eventually make sense in your life. None of them deserves a sentimental moment.

## **The basic principle of life insurance**

Life insurance is the sharing among a group of people of the risk of economic loss caused by death.

## The principle of life insurance rates

Let's assume that statistics showed that four out of 1,000 people aged 30 would die in a given year. If you knew which four, 996 people would not need insurance and four couldn't buy it. But you don't.

So each of these 1,000 people contributes \$100 to a fund which will be shared among the families (estates or beneficiaries) of those who die during that year. Those four people can now leave \$25,000 each to their heirs.

Because cost of premiums is based partly on risk of dying, rates would increase with age to a prohibitive sum. To avoid this, life insurance is often sold on a level premium basis which means that policy holders pay more during the first years of a policy than the actual cost to the company providing the protection. In effect, the cost of insurance is averaged over the years.

Excess premiums paid during the first years are invested by the company for additional income.

# Glossary of common terms

## Accidental death benefit:

A feature added to some life insurance policies providing for payment of an additional benefit in case of death as a result of accidental means.

## Agent:

A sales and service representative of a life insurance company. A life underwriter is an agent who has completed further training.

## Annuitant:

A person during whose life an annuity is payable, usually the person to receive the annuity.

## Annuity:

A contract that provides income to an annuitant, usually for a specified period and/or for life.

## Annuity consideration:

The payment, or one of the regular periodic payments, that an annuitant makes to build up an annuity.

## Application:

A statement of information made by a person applying for life insurance. It helps the insurer assess the acceptability and classification of risk.

## Beneficiary

The person named in the policy to receive the insurance proceeds at the death of the insured.

## Cash surrender value:

Some policies build up something known as "cash value" or cash surrender value. This is the amount the insurance company will pay you if you decide to cancel the policy. It is important to remember that there is usually no cash value in a policy until the second or third year. During the first few years,

administration and salesmen's fees are taken out of the premiums paid into the policy. Endowment policies build up cash values faster than straight life policies because the premiums are much higher.

Deductible:

An insurance agreement by which the policyholder pays part of the loss.

Deferred annuity:

An annuity providing for the income payments to begin at some future date.

Disability benefit:

A feature added to some life insurance policies providing for the waiver of premiums and sometimes payment of a monthly income upon submission of proof that the insured is totally and permanently disabled.

Dividend:

A return of part of the premium on participating insurance to reflect the difference between the assumptions made in the premium charged and actual mortality, expense and investment experience.

Double indemnity:

An accidental death benefit providing for payment of double the face amount of the policy in case of death as a result of accidental means.

Endowment insurance:

Life insurance payable to the insured, if living, on the maturity date stated in the policy or to a beneficiary if the insured dies before that date.

Expectation of life:

The average number of years of life remaining for persons of a particular age according to a particular mortality table.

Face amount:

The amount stated on the face of the policy that will be paid in case of death or at the maturity of the policy. It does not include additional amounts payable under accidental death or other special provisions or acquired through the application of policy dividends.

Group annuity:

A plan providing annuities at retirement to a group of people under a master policy. It is usually issued to an employer for the benefit of employees. The individual members of the group hold certificates as evidence of their annuities.

Group life insurance:

Life insurance issued, usually without medical examination, for a group of people under a master policy. It is usually issued to an employer for the benefit of employees. The individual members of the group hold certificates as evidence of their insurance.

Level premium life insurance:

Life insurance for which the premium remains the same from year to year. The premium is more than the actual cost of protection during the earlier years of the policy and less than the actual cost in the later years. The building up of a reserve is a natural result of having level premiums over the life of the policy. When invested, this reserve amount earns a return that helps keep the level premium down.

Life insured:

The person on whose life the policy is issued.

Life insurance in force:

The sum of the face amounts, plus dividend additions, of life insurance policies outstanding at a given time. Additional amounts payable under accidental death or other special provisions are not included.

Life insurance company with share capital:

A company with capital stock held by shareholders who share in the surplus earnings. Management is directed by a board elected by shareholders and sometimes by participating policyholders.

Mortality table:

A table which estimates how long people might be expected to live on the average. Used by insurance companies to set rates.

Mutual life insurance company:

A life insurance company without shareholders whose management is directed by a board elected in most cases by holders of participating policies.

Nonforfeiture options:

The choices available to the policyholder who discontinues premium payments on the policy. The choices are usually to take the cash value of the policy, to continue the policy as extended term insurance or as reduced paid-up insurance.

Non-participating life insurance:

Life insurance on which the premium is calculated to cover as closely as possible the anticipated costs of insurance protection and on which no dividends are payable.

Ordinary life insurance:

Sometimes called whole or straight life, it is life

insurance providing coverage throughout life with premiums payable on an annual, semi-annual, quarterly or monthly basis.

Participating life insurance:

Life insurance on which the policyholder is entitled to receive dividends.

Policy:

The printed legal document issued to the insured by the company stating the terms of the life insurance contract.

Policy dividends:

A refund of part of the premium on a participating life insurance policy. It is a share of the surplus earnings apportioned for distribution and reflects the gains made as a result of the company's actual experience being more favourable than the rates of interest, mortality and expense assumed in calculating the premium charged.

Policy loan:

A loan made by a life insurance company to a policyholder on the security of the cash value of the policy. See credit section, sources of cash loans.

Policy reserves:

The measure of the funds that a life insurance company holds specifically for the fulfillment of its policy obligations. Reserves are required by law to be so calculated that, together with future premium payments and interest earnings, they will enable the company to pay all future claims.

Premium:

A payment for insurance protection.

Rated policy:

Sometimes called an extra-risk policy, this is a life policy issued at a higher than standard premium rate.

Settlement options:

The several ways, other than immediate payment in cash, which an insured person or beneficiary may choose to have policy benefits paid.

Term life insurance:

A plan of life insurance on which the death benefit is payable only if death occurs within the period of time specified by the policy.

Underwriting:

The process by which a life insurance company determines whether or not it will accept an application for life insurance, and if so, on what basis.

Variable contract:

A contract under which the amount of benefit depends on the value of assets relating to the contract at the time the benefit is payable.

Waiver of premium:

A provision that under certain conditions the policy will be kept in full force by the company without the payment of premiums. It is used most often as a total and permanent disability benefit.

# Types of life insurance

There are three basic types of life insurance: term, whole life and endowment. Any policy you buy is one of these, or a combination of them. The difference between them is the condition under which the insurance becomes payable.

## Term insurance

The face amount of the policy is paid only if the insured dies within a certain period of time. This is temporary protection, relatively inexpensive. It is often used when a large amount of protection is needed for a short time.

Common types:

### Five-year term and ten-year term

Term policies are also available for longer periods. Such policies pay the beneficiary the face amount of the policy if the insured dies within the five or ten-year terms of the policy. If the insured dies even one day after the term period, the beneficiary gets nothing. Many companies now offer a five-year term policy that is renewable just before the end of the term at rates guaranteed in the original policy. The premium will rise with the increased age at each policy renewal date. Typically, the policy is renewable up to about age 65.

### Term to 65

Premiums are paid until the insured has reached 65. After this the insurance expires. This is sometimes used by people whose employer provides a pension

at 65. Usually the premium increases every five years. The increase is stated at the beginning of the policy.

Decreasing term:

The face value of the policy decreases as the term period goes by, but the premium remains the same. When used to insure a mortgage, for instance, at the end of the term there would be no further money owing on the mortgage, no further insurance and no further premiums.

Common options:

Convertible

Such a term policy would contain an option to convert it to whole life or endowment insurance before a specified period of time without medical examination. The premium rate for the new permanent insurance would be higher. Should the insured become uninsurable due to health changes and so on while the term policy is in effect, this option would permit the person to remain insured when the term expires.

Renewable

This option allows the policy holder to extend the policy at a specified rate.

## Whole life

This policy becomes payable when the insured has died.

Straight life

Premiums are paid until death whether this occurs in one year or in 50 years.

### Life paid up at 65

The insured pays premiums until age 65 in return for life insurance protection for the whole of life.

### Ten-pay life, twenty-pay life

"Ten" or "twenty" indicates the number of years in which payments are made to the insurance company. For example, the company expects to receive payments for 10 or 20 years. In return, the company provides lifetime protection equal to the face amount of the policy. Such payment terms are useful when the policy holder expects to receive a high income for a relatively short period of time. Premiums are higher than those you might contract to pay for life.

## **Endowment**

This type of insurance pays whether or not the insured party lives to policy maturity date. For instance, with an endowment at 65, the full amount is payable to the policy holder when the age 65 is reached. If the insured dies before this age, the full amount is payable at once. It is more expensive than whole life or term and it is sometimes used to build up retirement funds.

### Related types of policies

#### Equity-related variable policies

These policies are offered by some companies to offset the effects of inflation. Benefits are related to the investment performance of a separate fund backing the policy. This fund is composed of common stocks or

other investment such as bonds, debentures and mortgage loans or real estate. Investment earnings and capital appreciation are used to increase policy benefits. Poor investment performance can lead to reduced benefits, though there is usually a minimum benefit level guaranteed.

#### Group life insurance

One policy insures a large number of people. Usually, groups are formed by employers' credit unions or other associations and members usually do not require a medical examination. The firm often pays part of the premium. Group life premiums are often considerably lower than individual insurance. Most group insurance is term insurance, in which policy ends when the employee leaves the firm. Most provide for conversion to a permanent plan of individual insurance within a stated length of time after termination of employment. Check the terms of such conversions. Group insurance is usually available in limited amounts, based on income.

# **Insurance contracts (Clauses)**

## Settlement options

- Lump sum. Beneficiary receives a lump sum.
- Delayed payment. Principal sum is retained by the company and interest is paid to the beneficiary for a certain number of years or for life. Permits time for beneficiary to adjust to new circumstances and consider the use of the money.
- Instalments. Beneficiaries receive payment in instalments, annually, semi-annually, quarterly or monthly. Useful for the protection of children.
- Annuity or life-income. Beneficiary receives a monthly income for life. The payments may be guaranteed for a stated number of years, so that if the beneficiary dies before all guaranteed payments are made, the remainder goes to the estate or as directed.

## Double indemnity

- pays double the face value of the contract in case of accidental death.

## Restrictions

- check contract carefully for possible exceptions. For instance, usually companies will not pay benefits if the insured commits suicide within two years of taking out the policy.

## Waiver of premiums

- some contracts waive future premiums if the policy holder becomes totally and permanently disabled before a certain age. Make sure you understand what your company means by disability.

## Loan value

- most protection-plus-savings policies have a loan value (up to the cash value) after the first two or

three years. (See credit section, sources of cash loans.) Check loan value and interest charged for each policy.

#### Guaranteed insurability provision

- allows insured to buy more insurance without having to meet insurability requirements such as medical fitness.

#### Term rider to whole life policy

- sample provision: pays off mortgage in case you die before the house is clear. Combines whole life and decreasing term insurance.
- some mortgage protection plans offer decreasing term insurance without the whole life or cash value element.

#### Dividend options

- mutual or participating companies usually pay dividends which are a return of part of the premium and reflect the company's financial success.

Policy holders may

- (a) take them out in cash,
  - (b) let the company retain them and pay interest,
  - (c) apply them toward future premiums,
- or
- (d) use them to purchase more life insurance.

For further information on clauses, see "How to Compare" provided with this kit.

# Sources of life insurance

## Mutual company

- the company is owned by participating policy holders.
- all assets and earnings are used to benefit policy-holders.
- members of the board of directors are elected by participating policy holders.
- it is possible to buy a non-participating policy from a mutual company which does not give you a share in the company.

## Stock company

- the company is owned by stockholders.

## Fraternal societies

- an incorporated society, order or association which is empowered to make life insurance contracts with its members.

## Co-operatives, savings banks, credit unions

- often these organizations arrange life insurance protection for their members. Sometimes it is only to guarantee loans but it may be a separate plan.  
Rates are often lower on these plans.

## Employer

- group life insurance may be available through employers, who usually pay part of the premiums.
- see "Related types of policies".

## Other

- some people may be eligible for insurance through professional or other associations.
- because this is group insurance and is often inexpensive, it is worth checking.

## Insurance by mail

- before considering, investigate carefully.



# How to buy life insurance

## Add up your needs

As soon as you begin working, you gradually build up obligations -- perhaps to your parents, perhaps in starting a family of your own. It's best to do a little thinking about insurance now--before you need it.

Decide what needs would exist at states five years, 10 years, 15 years and 20 years from now. Then see how many of these needs you can cover with insurance in case of your death. Remember to consider balancing insurance plans with a savings plan.

Money problems a family faces when the provider dies:

Death expenses

Dependency income for children

Temporary income for spouse

Adjustment fund, one to three years (preparing to work, etc.)

Paying up the house mortgage

College education fund

Gifts and grants to charity

--don't try to provide for every need--concentrate on the main ones.

--when assessing life insurance needs, don't forget to take into account any group insurance you may have.

--avoid relying on rules of thumb--such as having life insurance equal to four or five times your annual income.

Decide what you need on the basis of your own situation (dependents, ages, debts, etc.).

--go easy on buying insurance on the lives of dependents.

--Insure the principal income-earner first and foremost." (The Financial Post -- Your Money -- How to Make the Most of It)

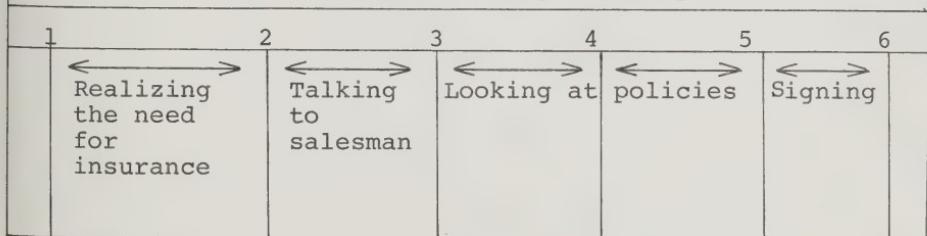


This is the crucial point in your involvement with life insurance. It occurs right at the beginning and you can be overwhelmed with policy terms, percentages and double indemnities, dividend payments, etc., before you know what you want.

Life insurance is usually sold. An agent will approach you suggesting that you have a need for insurance. A graph of the usual decision to buy life insurance would look like this:

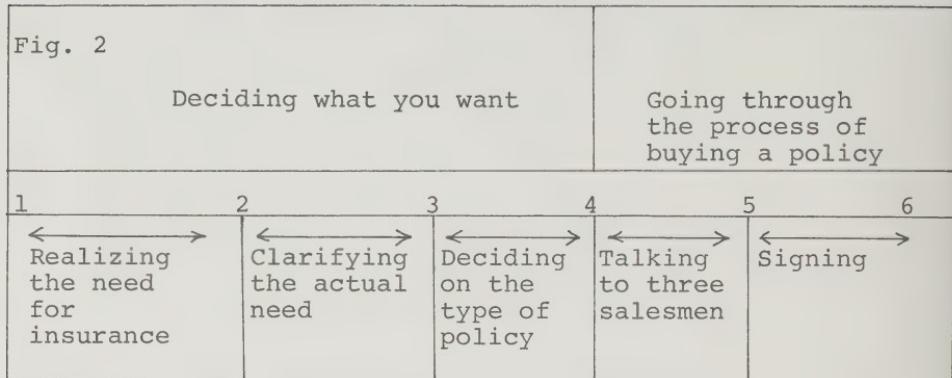
Fig. 1

Going through the  
process of buying a policy



Note that more time is spent on looking at policies than on deciding needs. As most people start thinking about insurance because a salesman has approached them, the process usually starts at the third stage. More beneficial results in terms of lower cost/more appropriate coverage could be obtained if the usual decision to buy life insurance looked like this:

Fig. 2



# ur insurance program

much insurance coverage do you have because there's no option one way or the other? Quite a bit, really. The state usually requires an auto policy. A mortgage company wouldn't lend you a dime if you had a Homeowners policy. Your employer likely underwrites at least part of the cost of health and disability coverage, and perhaps some life insurance, too.

That amounts to a good leg up for your insurance program. But you have a number of personal decisions to make. Familiarize yourself with the limits of coverage and be alert for circumstances that change.

**Automobile.** Are the limitations on your liability real? Could you save some money by dropping collision coverage on an older car that's pretty well beat up?

**Health and disability.** Every member of your family should be covered for major medical expenses, and upward limits of your policy should reflect today's high health care costs. If your employer doesn't offer disability insurance for you, get your own.

**Property.** Both homeowners and renters need protection against fire, burglary, liability and vandalism. Homeowners should have an up-to-date idea of the approximate replacement value of their homes and belongings and have policies that reflect it.

Worksheet No. 5 will help you estimate a reasonable level of life insurance coverage. You may opt for more or less, depending on your family obligations and other circumstances.

There are a variety of policies available—term, whole life and countless hybrids. Review yours with the following points in mind.

In general, you need the most coverage when your children are young. As they get older and leave home, you'll be better able to take care of themselves and will get along with less life insurance.

If you have no dependents, a policy large enough to pay off your debts and cover burial expenses is probably sufficient.

Most families combine term policies with permanent life insurance. The cheapest way to increase coverage is to buy term.

To maintain the level of protection you now have, just examine policy values periodically in light

of inflation. The further ahead you look, the less your present policies will be worth to your beneficiaries.

## WORKSHEET NO. 5

### Do you have enough life insurance?

The amount of life insurance you need depends on how much your dependents would require to continue the same standard of living without you. Use this worksheet to calculate how close you come to that ideal and how much additional coverage you need to achieve it.

#### Part 1: How much you have now

current net worth (from Worksheet No. 3)

minus cash value of life insurance

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---

minus assets that don't produce income  
(car, furniture, equity in home, etc.)

---

---

plus face value of current life insurance,  
adjusted for outstanding policy loans

---

---

plus any other lump-sum death benefits not  
included in net worth

total \_\_\_\_\_ (A)

#### Part 2: How much you need

estimated death expenses (burial, mortgage balance, bills due, taxes, probate fees)

---

---

dependents' emergency fund

---

---

education fund for children

total cash needs \_\_\_\_\_ (B)

annual income you wish to provide (suggestion:

75% of current after-tax income)

---

---

minus annual income from social security\*

---

---

minus annual income from pension funds  
and other sources

remainder \_\_\_\_\_

divide remainder by .06 (assumes your cash  
fund will earn 6% per year)

result \_\_\_\_\_

add line (B)

total \_\_\_\_\_

subtract line (A)

additional life insurance required \_\_\_\_\_

\*You can get instructions from the Social Security Administration by mailing a postcard request form available at district social security offices and some post offices.



# Select a company, an agent and a policy

## The company

In Ontario all insurance companies must be registered with the office of the superintendent of insurance. The duties of the superintendent are as follows:

- to establish that an insurance company is solvent, and maintains its solvency.
- to see that it follows the business practices of the community and maintains ethical standards.
- to maintain the rights of consumers, reviewing policies, responding to complaints and dealing with the industry.

Check any company you intend to deal with in the Stone and Cox Life Insurance Tables at the public library, to learn about its history and performance record.

## The agent

In Ontario the life insurance agent represents the company and sells on commission. He is trained to do what is best for you. As an agent, he can sell only what his company has to offer. He cannot survey the policies available from other companies and recommend them to you.

## The policy

There are slight variations in policies from one company to another, which makes them difficult to compare. This makes it doubly important to decide in your own mind what you want and then find a company which will sell you what you want.

## The industry polices itself

Insurance companies have formed the Canadian Life Insurance Association. In response to consumers' concerns they have instituted the following guidelines.

## Canadian Life Insurance Association guidelines for consumers

- after signing a policy you have a 10-day 'period of grace' in which to change your mind.
- if there is a problem after the 10-day period of grace in paying premiums or with a claim, CLIA will inves-

tigate the difficulties. Should there be a 'questionable practice' or a matter needing further resolution a chief executive of the company in question will be consulted.

CLIA services to consumers

- Consumer consultants hot line. Dial 1-800-261-8663. This is a toll free service from anywhere in Canada. If you prefer to write, the address is 15th floor, 44 King Street West, Toronto, Ontario M5H 1E9.
- contact them to ask about the policy before signing.
- CLIA is working to simplify the language in policies and to assist in comparing rates between policies.

#### Buying the policy

- never sign an application for a policy without thoroughly examining all aspects and conditions of the policy.
- ask the agent to provide you with a full explanation in writing of all terms, conditions and other important facts pertaining to the policy.
- be sure you understand all conditions.
- be sure the policy fits your specific needs.
- check to be sure that you can't buy the same thing cheaper elsewhere.
- sign.

#### How one expert buys insurance

- "I decide in my own mind what type of policy I want."
- "Pick two to three companies out of the yellow pages and ask them to send an agent over."
- "I tell him that I don't want to talk about anything else. What's your price on a \_\_\_\_\_ policy!"
- "Then I compare the policies and buy the one I want."

# **Life insurance as part of retirement plans**

## **Tweedle-dee and Tweedle-dum or Life insurance and annuities**

Life insurance pays the beneficiary on the death of the policy holder. You pay an insurance premium so your beneficiary will receive payments when you die.

An annuity pays the policy holder for life or a stated number of years. You buy an annuity so that when you are ready to use the money, it will be paid out to you as a pension or for educational funds. See money section, RRSPs.

- annuitant can pay a lump sum or pay a certain amount per month for a given number of years. In return, annuitant receives an income for life or a variation on that theme.
- no medical is required.
- women pay more for annuities than men because according to actuarial tables, they live longer (about five or six years).
- a more detailed discussion of annuities can be found in "Consumer Problems and Personal Finance", by A. Troelstrup , McGraw Hill, 1965.

# Monthly Annuity Payments

udy on page 37 shows the monthly annuity that may be purchased by a basic single premium of \$10,000, as offered by 48 of the writers in the U.S. The policy fee (if any) is included in the purchase price. Rates shown are as of January 1, 1976.

Companies issue immediate annuities on a nonparticipating basis. Four included here (Aid Association for Lutherans, Confederation Life of Canada, Lutheran Brotherhood and State Farm Life) show only participating annuities adjusted for current income dividends (not guaranteed). The study shows life annuities with no refund available to males and females on a non-refundable basis (at ages 65 and 75) and qualified (at ages 65 to 70); and annuities with 10 years certain payable to males and females on a non-refundable basis (at ages 65 and 75) and qualified (at ages 65 and 70); and installment refund, non-qualified, for males and females at ages 65 and 75.

A qualified plan is one which meets the standards set by the Internal Revenue Service. Meeting the requirements permits tax minimizing for employer and employee. A life annuity provides a guaranteed income payable to the annuitant for life, ending with the last death preceding the annuitant's death. Because there are no death or surrender values, this provides the maximum income available in the annuity plans. A life annuity with 10 years certain provides a guaranteed income payable to the annuitant for life, if death occurs before the end of 10 years the same payments will be continued to the annuitant for the balance of the period.

An installment refund annuity provides a guaranteed life income. However, if the annuitant dies before the end of the income payment period.

ments equals the premium, the company will continue payments to the beneficiary until total payments received by annuitant and beneficiary equal the premium paid.

For non-qualified life annuities with no refund, Equitable Society shows the highest monthly payment for a male age 65. Provident Life and Accident is first for males age 75 and females age 65 and 75. For non-qualified installment refund, males and females age 65 receive the highest income from Travelers. Males and females age 75 receive the highest income from New England Life. For non-qualified life annuities with 10 years certain, Travelers is first at males age 65 and New England Life first at males age 75. For females, Provident Life and Accident is the highest at both ages. For qualified plans, Prudential pays the highest income for all plans shown.

The study on page 38 shows the monthly annuity that may be purchased by a basic single premium of \$10,000, as offered by 26 of the leading writers of annuities in Canada. The policy fee (if any) is included in the purchase price. Two of the companies included in the study (Imperial Life and State Farm Life) issue only participating annuities (adjusted for current income dividends, not guaranteed). Rates are as of January 1, 1976.

The annuity market in Canada continues to fluctuate more than in the United States. Of the 45 companies showing U.S. rates in this study and in the last study (August 1975), 31 companies (69%) show the same rates. Of the 24 companies showing Canadian rates in both studies, only five companies (21%) show the same rates. Seventy-one percent of the Canadian writers show payments higher than in the last study, while only 22% of the U.S. writers have increased income payments.

The fluctuation in the Canadian annuity market arises from several factors: (1) most annuity business in Canada is obtained through independent brokers who shop around for the best deal for their clients; (2) Canadian annuities are very closely tied to interest rates; and (3) the consumer is advised by many of the financial papers and magazines to shop around before he buys an annuity.

The study shows life annuities with no refund and life annuities with 10 years certain guaranteed for males and females on a registered and non-registered basis. Installment refund is shown on a non-registered basis only.

A registered plan is one which meets standards of the Canadian tax authorities. Meeting the requirements permits tax minimizing for employer and employee.

For non-registered life annuities with no refund, Imperial Life shows the highest income for males and females age 65. Males age 75 receive the highest payment from La-Sauvegarde, and females age 75 receive the highest payment from Sun Life of Canada. For non-registered installment refund, Industrial Life ranks first for males age 65 and 75. Sun Life of Canada ranks first for females age 65 and Manufacturers Life is first for females age 75. For non-registered life annuities with 10 years certain, Equitable Life of Canada shows the highest payment for both sexes at both ages.

Registered life annuities with no refund have highest incomes from Imperial Life for males and females age 65. Industrial Life is first for males age 70, and Sun Life of Canada is first for females age 70. For registered life annuities with 10 years certain, Imperial Life shows the highest payments for males age 65 and females age 65 and 70. Industrial Life is first for males age 70. □

# \$10,000 of Basic Single Premium Purchases

## CANADIAN RATES

Company	NON-REGISTERED												REGISTERED											
	Lifetime Only —no period certain						10 Years Instalment Refund						Lifetime Only —no period certain						10 Years Certain					
	Males	65	Females	75	Males	65	Females	75	Males	65	Females	75	Males	65	Females	70	Males	65	Females	70				
Alliance Mutual	105.94	136.99	95.25	122.29	96.33	122.37	96.71	121.83	90.52	113.21	97.88	111.97	91.79	107.42	109.95	133.00	99.09	110.51	100.95	107.74	95.16	102.44		
Canada Life	101.81	136.43	93.22	122.59	96.59	122.59	97.19	121.59	90.52	113.21	95.23	111.19	90.01	107.10	107.33	120.70	109.19	106.53	97.49	92.49	101.00	97.60		
Confederation Life	100.85	132.99	92.07	121.59	94.79	119.59	98.34	109.37	93.46	107.66	98.48	104.09	90.76	107.42	106.59	120.74	94.23	103.44	90.36	96.73	103.44	90.36	101.00	
Co-operative Life	99.24	134.86	88.14	120.07	118.07	116.59	91.36	94.62	97.82	120.86	91.20	112.06	91.16	106.05	88.64	101.51	103.52	118.16	92.31	104.42	92.11	102.54	98.65	101.13
Crown Life	104.01	138.15	92.45	123.43	97.45	120.87	97.82	112.06	96.76	106.52	90.95	110.92	90.95	106.03	121.45	96.76	106.52	109.57	108.57	106.49	106.49	106.49	101.13	
Dominion Life, Can.	105.15	139.86	94.61	123.46	99.01	122.55	91.33	112.23	96.90	106.66	105.60	110.86	97.57	108.44	123.51	123.51	123.51	123.51	123.51	123.51	123.51	123.51		
Equitable Life, Can.	103.41	135.50	95.79	125.16	99.01	122.55	91.33	112.23	96.90	106.66	105.60	110.86	97.57	108.44	123.51	123.51	123.51	123.51	123.51	123.51	123.51	123.51		
Great-West Life	100.61	132.44	91.82	120.05	95.00	117.05	88.85	110.14	93.74	107.74	98.54	108.44	97.57	108.44	123.51	123.51	123.51	123.51	123.51	123.51	123.51	123.51		
Imperial Life▲	107.30	130.49	98.70	120.00	103.00	123.80	92.09	112.50	100.52	123.80	92.09	112.50	100.52	107.74	107.74	110.31	110.31	110.31	106.35	106.35	106.35	106.35		
Industrial Life	142.77	95.27	122.92	100.03	123.80	92.09	112.50	100.52	123.80	92.09	112.50	100.52	107.74	107.74	110.31	110.31	110.31	106.35	106.35	106.35	106.35			
London Life	101.44	134.73	92.59	120.43	98.61	119.68	91.00	113.37	123.11	123.11	123.11	123.11	123.11	123.11	123.11	123.11	123.11	123.11	123.11	123.11	123.11	123.11		
Manufacturers Life	103.13	135.27	94.86	124.42	98.61	119.68	91.00	113.37	123.11	123.11	123.11	123.11	123.11	123.11	123.11	123.11	123.11	123.11	123.11	123.11	123.11	123.11		
Metropolitan Life	97.43	125.59	87.79	122.42	92.02	118.76	85.78	104.01	96.80	103.91	85.60	106.68	90.62	104.47	117.86	98.79	108.79	98.79	108.79	98.79	108.79	98.79	108.79	
Monarch Life, Can.	100.74	131.14	91.93	119.06	95.26	117.75	89.16	109.62	98.94	107.95	93.54	107.00	88.56	103.10	122.45	93.94	104.54	104.54	104.54	104.54	104.54	104.54	104.54	
Montreal Life	100.40	128.37	92.07	119.33	94.85	118.49	88.94	107.95	93.54	107.00	88.56	103.10	88.56	103.10	122.45	93.94	104.54	104.54	104.54	104.54	104.54	104.54	104.54	
MONY Life of Canada	95.11	114.02	77.78	103.20	80.41	101.81	75.02	94.62	80.65	96.21	75.55	91.98	87.66	101.19	80.11	92.11	83.08	92.11	83.08	92.11	83.08	92.11	83.08	
Mutual Life of Canada	103.71	135.51	92.07	121.43	92.07	121.43	96.33	115.54	80.73	106.68	94.34	106.68	90.76	104.09	116.82	94.87	117.86	106.02	104.41	91.53	102.05	92.05	102.05	
National Life, Canada	102.83	92.83	93.28	102.83	96.33	115.54	80.73	106.68	94.34	106.48	89.14	106.48	101.95	104.41	116.82	94.76	104.41	106.02	96.92	101.11	98.89	101.11	98.89	
New York Life	84.53	114.71	77.04	102.83	85.78	93.28	73.70	93.28	89.16	93.28	73.70	93.28	89.16	93.28	89.16	93.28	89.16	93.28	89.16	93.28	89.16	93.28	89.16	
North American Life	104.14	136.14	95.52	122.65	97.71	119.66	91.16	110.61	96.17	108.77	90.82	104.59	106.64	120.54	97.90	109.01	96.10	104.70	104.70	104.70	104.70	104.70	104.70	
Prudential Canada	84.69	106.64	77.27	105.56	78.95	98.80	72.32	92.26	80.23	95.28	73.66	90.55	91.95	104.32	82.46	93.37	86.73	94.37	97.93	97.93	97.93	97.93	97.93	
Le Sunlife Assurance	87.02	123.93	78.50	105.59	76.50	96.37	71.33	87.09	87.14	113.14	98.61	111.86	94.02	108.55	109.45	87.02	101.87	78.50	88.97	90.95	90.95	90.95	90.95	
State Farm, Canada	107.26	140.23	127.41	99.10	119.85	102.87	79.99	102.28	74.26	91.70	80.43	96.12	75.04	89.78	103.20	102.87	102.87	100.62	107.35	95.94	102.38	102.38	102.38	
Sun life, Canada	86.41	121.02	78.46	103.87	79.99	102.28	74.26	91.70	80.43	96.12	75.04	89.78	103.20	102.87	102.87	102.87	102.87	102.87	102.87	102.87	102.87	102.87	102.87	
Travelers of Canada	81.29	108.33	73.48	97.28	75.58	94.20	70.51	88.18	76.38	91.06	71.21	87.03	82.23	93.34	74.40	83.84	77.30	84.33	72.12	79.32	79.32	79.32	79.32	

▲ Company does not issue this plan.  
 ▲ Company issues participating annuities only. Current income dividends included in figures; not guaranteed for future.

## Pension funds

- set up by employers in cooperation with their workers.
- purpose is to accumulate money to provide income for workers when they retire.
- company and workers pay into a fund which is invested. From the capital and interest earned funds are provided as income to the workers upon retirement.
- in Ontario the Pension Commission administers The Pension Benefits Act which regulates private employers' pension plans.
- this Act attempts to ensure, as far as possible, that pension expectations will not be lost to employees involved because of lack of money in the fund.
- this Act does not require any employer to establish a pension plan.
- it is not retroactive. That is, it does not require changes in benefits and contributions related to service before January 1, 1965.
- a summary of The Pension Benefits Act is available from the pension commission of Ontario, 4th Floor, 8 York Street, Toronto, Ontario.

# The cost of life insurance

The money game being what it is, you can find a way to prove that your insurance policy costs you hundreds of dollars more than its apparent cost or alternately that it will return much more than it costs. Basically, don't consider only the premium costs in determining the true cost of insurance. The booklet, 'How to Compare' from the Canadian Life Insurance Association will give you further methods.

## The cost of insurance

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### What insurance costs\*

Company	Sample annual premiums for male, age 30, policy amount of \$10,000. 10-year term, convertible and non-participating	Whole life, participating	\$ Endowment at 65, participating
Alliance Mutual .....	42.90	175.30	246.20
Canada Life .....	45.70	172.20	246.70
Confederation Life .....	42.90	169.40	239.30
Crown Life .....	53.20	165.20	229.10
Eaton Life .....	45.80	187.00	250.40
Great-West Life .....	44.50	173.50	243.50
Imperial Life .....	42.00	178.00	292.50
London Life .....	42.20	174.80	243.40
Manufacturers Life .....	52.50	162.00	226.40
Mutual of Canada .....	....	178.00	241.50
North American Life .....	46.50	179.80	241.20
Northern Life .....	47.00	189.80	261.80
Sun Life .....	41.70	179.60	243.90

\*These rates were applicable in late 1973. On whole life and endowment, the net payments made by the policyholder depend on the dividend performance of the company.

## How to analyze your present policy

To find out what your insurance is really costing you each year, substitute the appropriate figures in the following calculation.

### 1. The situation now:

Face value	\$10,000
Less cash value, or co-insurance	870
Actual insurance protection	<u>\$ 9,130</u>
Gross annual premium	\$229.90
Dividend	16.50
Apparent net premium	<u>\$213.40</u>
Add interest loss on cash value, at 6%	52.20
Actual premium	<u>\$265.60</u>
Therefore actual cost of your insurance this year is <u>\$265.60</u>	
	\$9130.00, or \$29 per \$1,000.

### 2. The situation 10 years from now:

Face value	\$10,000
Less cash value, or co-insurance	2,760
Actual insurance protection	<u>\$ 7,240</u>
Gross annual premium	\$229.90
Dividend	16.50
Apparent new premium	<u>\$213.40</u>
Interest loss on cash value, at 6%	165.60
Actual premium	<u>\$379.00</u>

Therefore actual cost of your insurance  
in 10th year is: \$ 379 or \$52 per \$1000.  
\$7240

(Life Insurance, Benefit or Fraud, J. J. Brown)

## **Cost of various policies**

Figures obtained from a Canadian stockholders' company in August, 1976.

It is interesting to note that premiums have gone down during the last five years due to the rise in interest rates. This phenomenon has now levelled off and premiums will either remain the same or higher in the race between expenses and interest rates.

What various policies cost each year  
per \$1000 of face value

Type of policy	Age at issue		
	25	35	45
* 5-year renewable term	2.75	3.25	6.65
* Straight life (ordinary)	9.26	13.85	21.66
Payment to 65	11.30	17.49	29.94
20-payment life	16.25	21.70	29.94
Endowment at age 65	14.19	22.07	39.11
20-year endowment	35.46	36.16	39.11

\* Add \$20 policy fee annually  
All others have \$15 policy fee annually

Under present provisions of The Income Tax Act the gain realized by a policy holder on surrendering the contract is included as income. The gain is determined by formula provided in the legislation. New legislation has been proposed which may alter present rules.

# Health insurance

Health insurance



# Health plans

## OHIP

- in Ontario, the Ontario Health Insurance Plan is available to all residents.
- OHIP provides coverage for most medical bills.

## Supplemental insurance

- may be bought privately or as a group plan.
- picks up charges not covered by the Ontario plan such as drugs, private-duty nurses, artificial limbs, cost of semi-private or private hospital rooms.
- usually carries a deductible of about \$25 per person per year or \$50 per family per year.
- some plans limit the amount of claim paid in excess of the deductible. For instance, a plan may pay about 80% of the cost.
- usually carries a 'lifetime maximum' for each insured person under group plans. This may be anywhere from \$5,000 to \$50,000. Usually there is some reinstatement provision after the company has paid about \$1,000 in claims if the insured has returned to full health for a stated period of time.
- sometimes there is a three-month waiting period after joining a group before coverage applies on all benefits.
- check for broad basic coverage rather than high maximums.

## Dental and optical insurance

- these plans are becoming more readily available.
- insurers often insist on 100% participation of employees because so many enrol just long enough to get their teeth fixed or their glasses fitted.
- for the same reason, many insurers insist that employers pay the full cost of such insurance.

### Disability insurance

Several types of plans offer income for the time you cannot work because of sickness or injury. It is important to understand clearly how your insurance defines disability and what is meant by disability. Disability coverage is also provided by the Canada Pension Plan, Workmen's Compensation and Unemployment Insurance.

#### General Points

- salary continuance plans are available privately and through groups.
- if the private plan pays two-thirds of income, up to at least \$107 a week, for a minimum of 15 weeks, and if the waiting period for benefits is no more than three months, the private premiums may be deducted from the Unemployment Insurance Commission fees.

#### Group plans

- it is important to know when benefits start once you have an accident or fall ill, how long benefits last, what amount you receive and what types of disability are covered.
- maximum benefits usually are restricted to a portion of income.
- benefits under government plans are usually deducted from stated benefits of the plan.

#### Independent plans

- When arranging your own disability insurance, you should assess your needs as follows:
  1. Would you need another income or could your business carry on without you? How long could such an arrangement go on?

2. What is an appropriate amount of your income to pay out on disability insurance premiums?
  3. What benefits do you want, when do they start, does coverage extend, for instance, for two years or until age 65?
- you cannot buy insurance to pay more than you would make if you were working. You must verify your earned income at the time benefits start.
  - see several agents before buying. Be sure all questions are answered. Be sure you can afford to pay the premiums.



# Household insurance

Household insurance



# Insurance may be needed

- on the building, if you own it, to pay out the mortgage or replace it in case of destruction, to pay for repairs in case of certain types of damage.
- on the contents and personal belongings in case of loss or damage to them.
- on other people who may be injured in your home or by members of your family.
- on the property of others when damaged by you or members of your family.

## Homeowners' policies

- Robert Catherwood of the Financial Post indicates that the cost of insuring with a homeowners' policy is usually cheaper than buying separate policies for fire and theft on building and contents and for personal liability.
- a similar policy is also available to people who rent.
- read the policy carefully to ensure that you are fully aware of its contents. They contain a great deal of detail and standard policies do not cover everything.
- shop around and compare policies and premiums.

### Tips to help you

- make an inventory of household contents and personal belongings. Agents have sample forms.
- keep it in a safe place outside the home.
- review it from time to time.
- expect reasonable depreciation when you have a claim.
- report all losses promptly.

- note such little switches as the fact that installed broadloom is considered part of the building if you own your house, part of the contents if you rent but own the broadloom. Look into clauses about awnings, storm and screen windows, etc.
- certain risks may not be covered, such as floods, earthquakes or similar occurrences.

# Government Plans

Government plans



# Social insurance systems

As a society we have grown to the point where, in addition to plans which cover the general population, we now assist those among us who cannot provide for themselves a standard of living which we consider basic. See topics for discussion: "Are There Basic Rights?" The components of the system are as follows:

1. Old age pension
2. Unemployment insurance
3. Family allowance
4. Canada assistance plan
  - allowance for blind, disabled, old age assistance for people unable to survive on old age pension, social assistance for deserted mothers and the chronically jobless.
5. Canada (Quebec) pension plan
6. Guaranteed income security
  - insurance for retirement at age 65 - mandatory contributions.
  - an extra payment for needy old-age pensioners.
7. OHIP
8. Assisted OHIP payments



# The law

The law



# **Some provincial laws**

## **The Ontario Insurance Act**

- lists mandatory conditions which must be included in specific policies.
- sets out investment conditions for companies.
- spells out unfair business practices in the insurance industry.
- a mandatory accident benefit insurance program provides prompt basic indemnity for economic loss due to bodily injury or death resulting from motor vehicle accidents.
- requires insurance companies, agents, brokers, and adjusters to be licenced.
- administered by the financial institutions division, Ministry of Consumer and Commercial Relations.
- requires the superintendent of insurance to supervise financial operations of Ontario companies.
- expands the principle of full and plain disclosures regarding unguaranteed investment (variable insurance contracts) by consumers with insurance companies.

## **Ontario Prepaid Hospital and Medical Services Act**

- regulates medical plans not considered to be insurance, such as the Blue Cross Extended Health Care.

## **Motor Vehicle Accident Claims Fund**

- see Transportation section.

## **Pension Benefits Act**

- amended in 1973 to add to the protection and rights of employees to receive information on terms and conditions of the plan applicable to them.

For further information

write:            Ontario Consumer  
                  Queen's Park  
                  Toronto, Ontario

# Case histories

Case histories



# Case history #1

## "My savings are gone"

Jean had worked for a few years and saved a little money. At the time that she came to the office of the superintendent of insurance, she was engaged to be married and had bought a Registered Retirement Savings Plan which cost her \$2,000 a year from a life insurance company.

"But why did you buy an RRSP?" the investigator asked.

"Because," said Jean, "my taxation rate as a single person is high. I thought it would be a good idea to put that money away for now, save the taxes I would have paid, and take it out in a few years when I leave work to have children. I was going to take the money out as income and have low taxes to pay because I wouldn't be working."

An excellent plan. Confounded only because Jean had taken out an RRSP which had little cash value for the first three years.

"How could I prove that the salesman had been told what Jean wanted to do?" asked the investigator.

Jean thought she could put the money in on deposit. The plan she bought was worked out on the basis that her deposits would remain until she was 65.

## Points to follow in buying RRSPs:

- Ask how much the plan is costing you.
- Have in writing how much you get back if you cash it in at the end of the first year and at the end of each year thereafter.
- This is a Registered Retirement Savings Plan. Jean bought it for another purpose and she didn't shop around to compare plans and rates.

## Case history #2

### Is this a rip-off?

Jim Abels called an insurance agent to obtain a price for insurance on an older car he was thinking of buying. The agent told him it would cost about \$250. Jim agreed to the price and the agent promised to send the forms in the mail. In the meantime, he said, consider yourself insured. Jim bought the car. The interim card arrived in the mail and he thought no more about it until a bill arrived from the insurance company for an additional \$125. At that point Jim called the office of the superintendent of insurance.

"Can they do this to me?"

The investigator called the insurance company involved and found that they had checked on Jim's driving record with the ministry of transport. Jim had had four convictions in the past three years: two speeding citations, one for failing to stop and one for an improper turn. The company said that surveys in the past have shown that people with a high rate of convictions have more accidents. They rated his policy accordingly. The office of the superintendent advises that an accurate estimate of insurance costs can be given only on full disclosure of a driving record.

Jim had tried to obtain a cheaper rate by withholding this information. It didn't work.

# Topics for discussion

If they are right, those folk who are forever deriding the first man to try a thing, forever predicting disaster and living cautiously for a perfectly hypothetical old age, then let me, pray, be wrong. May I still, when I can count my hairs, be given grace and fortitude in the chill spring weather to say when first I see the wild spiral of the swallow that winter is over and done.

Donald Culross Peattie  
Almanac For Moderns



# **The “buy term and invest the difference” debate**

This debate has gone on for years among insurance and financial experts. The class could be divided into opposing sides to discuss this question, using the following points.

1. The knowledge and personal decision required to carry out a personal investment program.
2. Interest and policy dividends are automatically reinvested and compounded to the credit of a policyholder.
3. Some people feel they require a form of forced saving.

## **Is loss disastrous?**

Considering life as a changing and moving experience, could the loss of a home and possessions be an impetus to a move, a new approach or attitude towards ownership? When a house is destroyed by fire, it is a traumatic experience for people who have lost their possessions. Mementos, keepsakes and all the little items we take for granted are gone. It is useful to consider what steps would be necessary in this event. Would you stay in the same place or move? Would you buy the same things again? What would you do differently? Why? Perhaps the most useful question to ask yourself is this: What is lost? If the only loss is material, this can be replaced. Often such a loss can actually have beneficial consequences, when viewed as an opportunity to begin again.

## **Some risk is essential to humans**

Discuss the concept that people seem to find some degree of risk essential. As the adventure is taken out of our lives by organization in providing for basic needs, dangerous sports seem to rise in popularity. An example of this is the current popularity of sky diving, hang gliding, motorcycle racing and so on. Could this also be one cause of the increase in violence and crimes? In what way do people appear to take risks in their daily lives? Discuss the ways in which insurance against material loss affects such risk and the degree of protection acceptable versus the excitement of risk. How does a desire for safety affect the quality of living? How much willingness to 'roll with the punches' is necessary in a balanced life and when does risk become foolhardy?

## **Insurance as a way of helping each other**

Insurance is a method of sharing risk. Since it is based on statistics, you might say that all insured people pool their premiums in order to provide benefits for the dependents of those who meet with accidents. The insurance company, in this view, is the central co-ordinating agency by which these people administer their 'share risk' program.

# Projects

Projects



## **1. Term comparison**

Compare costs of term insurance at various ages. Class could contact insurance salesmen for this information.

## **2. Advertising**

Class could monitor radio and television commercials and printed advertisements in order to list the reasons given by insurance companies for buying insurance, identifying the emotions to which these promotions appeal.

## **3. Interviews**

Individual students could discuss life insurance with a representative and report to the class on the type of arguments the agent used. Such interviews could also be used to collect policy forms and price information.

## **4. What do insurance companies do with your money?**

The class could collect annual reports of insurance companies in order to analyze and discuss how insurance companies invest funds. These investments are regulated by both federal and provincial legislation. Insurance companies are allowed to invest only in certain types of assets.

## **5. The age of majority and accountability**

Pick one student in the class who is approximately 18 years of age. Have the class find out the answers to the following questions:

- has the student completed a driver's education course of any kind? If so, how will this affect the cost of insurance?
- what responsibility is required of the new driver's family by law?
- what does the insurance company which presently insures the family car require of them?
- will the present coverage be enough?
- what extra costs will be involved?
- how will the insurance coverage be affected if the new driver allows a friend to drive the family car?
- to what degree would the new driver be liable if driving a friend's car?
- get details on insurance for passengers.

## **6. Roving reporters**

One or more students in a consumer education class could be assigned areas of reporting responsibility for a term. They would collect facts, carry out interviews and find situations in the community which they would bring to the class. As a group, the class could plan and carry out action to take in each area. For instance, the insurance reporter could compile facts and data on policies, agents in

the area and so on. The field of consumer education is so wide that it would be possible to give each student a reporting assignment but as time would not permit action on each assignment, you may prefer to limit the number of reporters.

## **7. Consumer column**

The consumer education class could consider researching and writing a column for the school newspaper and local paper.



# **Reprints for discussion**

Reprints for discussion



Notes For an Address by

Hon. Sidney B. Handleman  
Minister of Consumer and Commercial Relations

to

Canadian Association of Accident and  
Sickness Insurers  
Annual Meeting

June 10, 1976, 1:00 p.m.

Hotel Toronto  
Toronto, Ontario

"Why All The Fuss About Loss Ratios"

It is my belief that a healthy private insurance industry is the best alternative to continued expansion of public assistance programs funded by government. The role of accident and sickness insurance is crucial in this regard. If our citizens will take personal initiative and insure themselves adequately, they will not then depend upon the government to support them if they are unable to work.

Obviously this thinking is especially important to us in this time of spending restraint. We are actively searching out ways of reducing or limiting the role of government and emphasizing private enterprise alternatives.

However, it only works when industry itself is credible and that isn't always the case. The Canadian Association of Accident and Sickness Insurers fortunately counts some of the most stable and socially responsible companies in Canada among its members. But judging by some of the practices and complaints I have seen, you also have your share of bad apples. As a consequence, your industry is just not as credible as it could be.

Let me tell you a true story. Not long ago we received a friendly telephone call from a jail official who wanted us to know that all the boys in the drunk tank from last night were complaining about their insurance. Sounds crazy doesn't it? What had happened is that an agent had made a tour of the bars the night before, selling six-month disability insurance contracts for about six dollars. Evidently the regulars didn't quite appreciate what they were buying although it must have sounded good while they were under the influence. However, they certainly weren't very happy when they sobered up enough to realize what they were into.

An extreme case, no doubt, but it poses a real concern to me. Because how can we expect people to have faith in a product which is sold for beer money in taverns late at night.

In another example, an agent sold a disability policy to an 81-year-old lady which included an income replacement benefit. Naturally she hadn't worked in a very long time and had no intention of beginning a new career--despite women's lib. She didn't understand what she was buying.

There are \$9.00 policies being sold to pay out large sums for accidental death on a subway, but much smaller amounts if riding in a taxicab. They are easy to sell after a newspaper headline about a subway accident. Some of these plans pay out as little as 30 percent of premiums as benefits.

I don't deny that this sort of coverage should exist in some form or another. But policies that emphasize payments for unlikely events at the expense of covering more likely risks should not be sold as sensible, supplementary coverage for the average man. Consumers are undoubtedly mistaking the value of these policies or sales wouldn't be so high. From the complaints I get, it is obvious that the policy holders think they are getting something much more useful than what they actually receive.

It's an abuse of the purpose behind insurance to insure people against death on a regular airline flight if these people rarely, if ever, fly. And it's an abuse of the underwriting privilege to sell income replacement policies to pensioners.

Now, I realize that the companies in this room wouldn't touch this kind of business. But some in your industry obviously do. And that is why we are putting so much emphasis on disclosure regulations, loss ratio requirements and other consumer protection devices.

As of July 1, individual accident and sickness policies will have to disclose the anticipated loss ratio for that particular plan. This ratio must be featured prominently on the policy applications and sales literature.

Hopefully, this procedure will help to protect consumers against the continued sale of the types of plans I mentioned earlier. The consumer will be able to compare different policies based upon a standard measure of how much of his premium dollar is likely to be paid out in benefits and how much is going toward sales and administrative expenses.

The proper use and interpretation by consumers of this cost benefit ratio is a major objective for my Ministry and your Association. I think it is important to us and to you to avoid misunderstandings.

Some ratios will be very low because of the nature of the contract. Low premiums usually mean a higher percentage going to selling and administrative costs and many low premium policies do fulfill a real need. Consumers will have to be educated to the fact that a low percent payout of premiums in the form of benefits is not necessarily a bad thing from the consumer's point of view. The relevant consideration is whether or not the consumer can get a roughly similar policy under which the insurer is prepared to live with a higher percentage benefit payment.

Companies primarily in the business of providing low premium policies with very low payouts are going to run into problems because of these disclosure requirements. I suspect some of them will have to change their products or curtail their sales in Ontario and that's just fine with me. Because most of these policies simply don't fill a genuine need. They are sold by psychological manipulation and a deceptive use of big numbers which the insurer knows he is most unlikely to pay out.

Another important new requirement is the minimum loss ratio of 75 percent which has been established for Creditors' Group Accident and Sickness Insurance. As of July 1, every company selling Creditors' group insurance must pay out at least 75 percent of premium income as benefits, subject to adjustment for small loans and small premium income. The calculation of premium income takes into account the fact that interest is earned on the premiums by the insurance company. This development should go a long way to resolving some of the traditional problems connected with Creditors' Group Insurance.

That brings me to the question of uniform disclosure of the extent and nature of a policy's benefits and restrictions. This is the next step in our protection program for policyholders. Work is now in progress to determine how this can best be done.

A related question of considerable importance is the method used by insurance companies to integrate their plans with government disability schemes. Many consumers have legitimately expressed concern over the fact that some private schemes provide for a reduction in benefits when the government plans increase theirs.

It should be obvious that the concept of private schemes as an alternative to public programs is weakened when the insurance industry sells schemes which automatically shrink as the public sector expands.

This problem is intensified by the fact that federal schemes such as the Canada Pension Plan are now providing unlimited cost-of-living indexing during a period of rapid inflation. As a result, we have received quite a number of complaints from people who find that an extra \$10 a month from the federal government is offset by \$10 a month less from the company plan they contributed to while they were employed.

I realize these plans can be defended. They are, after all, less expensive. The savings revert back to the employer and it can be argued--as I have done--that more companies have supplementary group disability plans as a result.

But we are talking about some important principles, here. A disabled taxpayer deserves to realize the value of his tax dollars by receiving the benefit of CPP indexing, rather than his employer. A disabled employee deserves to benefit from the money he has paid in premiums, rather than his fellow employees who are still on the job.

To ensure that these principles are honoured, we have proposed to the Association of Superintendents of Insurance that integration of public and private plans only occur at the time the individual first becomes entitled to benefits. Any subsequent increases from the public sector will then be paid to the disabled person. We hope that guidelines can be formulated this year which will require insurers, employers and unions across Canada to abide by this principle.

This problem of offsetting indexed government schemes is only one aspect of a much wider problem of overlap and confusion in the disability field. A typical individual could be eligible for benefits from the Canada Pension Plan, the Unemployment Insurance Commission, the Workmen's Compensation Board, his own disability policy, his car insurance, his company's plan and his union or professional association. As a result, most people really don't know what they will get if they become disabled and I suspect there are many people who are unknowingly over-insured.

This problem is not easily resolved. But I think we have to start looking at how to rationalize the current proliferation of schemes. I would also like to ask you to consider what steps might be taken to help the consumer assess his personal position accurately.

One final point I would like to mention is your Association's concern that with the changes in federal taxation of several years ago, there may be a growing number of sick leave and disability type plans not being guaranteed by insurers. These schemes are therefore not regulated even though solvency is just as much a concern to the employee as with the usual insurance company plans.

If self-funded sick leave and disability plans are becoming more prevalent, I would be happy to review the situation to see if individual expectations are being adequately protected. If necessary, new regulations will be drafted. I invite you to keep me informed of trends and developments relating to self-funded arrangements.

There seems to be a growing appetite for personal security in today's society. It is my personal preference that this appetite be satisfied by private industry. To ensure this development, we have to work together to enhance public confidence in your business. That means speaking to each other honestly and openly about our problems and concerns.

On the whole, I believe you are serving Canadians well and I think you have much more to offer in the future. Let's co-operate to make sure this potential is fully realized.

Thank you very much.

# translating legalese into English

*the law is as I say it is, and so it been laid down ever since the law; and we have several set forms which are held as law, and so held and for good reason, though we cannot even remember that reason."*

—Sir John Fortescue,  
Chief Justice of the King's Bench, 1458

eyors of legal documents have led their ways remarkably little in 18 years since Chief Justice Fortescue confessed that no one, not even the ones who make the law, knows why documents are written as they are.

"When I was at the Securities & Exchange Commission, I thought that the prospectuses we saw had unnecessary legalese," says Hamer H. Budge, a former SEC commissioner and chairman. "They're generally difficult to read, and, as a result, people don't read them." Now president and director of Investors Group of funds, Budge last month obtained SEC clearance for a dramatically simplified prospectus of Investors Stock Fund Inc. "It isn't a matter of disclosure," he says. "The difference is that the new prospectus discloses everything in language which is under-

against the company with respect to any one occurrence unless as a condition precedent thereto, the Insured shall have fully complied with all the terms of this policy. . . ." The new policy lists the terms in declarative sentences and adds: "We're not obligated to pay for your loss unless you do all this."

Many banks have converted their forms rapidly. Citibank, the first to make the switch, issued its first readable form in early 1975. Now, less than two years later, all consumer forms have been translated, according to Carl Fulsenfeld, a Citicorp vice-president who has helped guide the changeover. In San Francisco, Crocker National Bank began a similar conversion just one year ago. Today, says Peter G. Vatja, manager of the marketing department, about 100 of the bank's 500 consumer forms have been completed, and these include 95% of those in use most frequently and 20% to 30% of those used infrequently. Last month Bank of America announced it

## How Citibank cut through legalese

Consumer loan note, 1974 version . . .

PORTION OF THE PREPAID FINANCE CHARGE COMPUTED IN ACCORDANCE  
PROVIDED THAT THE BANK MAY RETAIN A MINIMUM FINANCE CHARGE OF  
FINANCING. NO REFUND SHALL BE MADE IF IT AMOUNTS TO LESS THAN \$1.  
E BORROWER SHALL RECEIVE A REFUND OF THE CHARGE, IF ANY, FOR  
THE UNEARNED PORTION OF THE PREMIUM PAID OR PAYABLE BY THE  
E RULE OF 78, PROVIDED THAT NO REFUND SHALL BE MADE OF AMOUNT  
AS COLLATERAL SECURITY FOR THE PAYMENT OF THE INDEBTED-  
DEBTEDNESS OR LIABILITIES OF THE UNDERSIGNED TO THE BANK, WHICH  
SECURFD. MATURED OR UNMATURED, UNDER ANY PRESENT OR FUTURE  
CONTRACTS.

## and today's simplified note

**payment of Whole Note** Even though I needn't pay more than the fixed installments, amount of this note at any time. If I do, or if this loan is refinanced, you will refund the unearned **finance charge**, figured by the rebates on installment loans. However, you can charge a m-

**Late Charge** If I fall more than 10 days behind in paying an installme-  
overdue installment, but no more than \$5. However, the  
more than 2% of the total of payments or \$25, whichever

high literacy has increased measurably since then, the average consumer may stand little better chance of understanding the "set forms" of the documents necessary to conducting business than the rudest peasant in the reign of Henry VI. Insurance policies, promissory notes, security agreements, stock certificates, warranties, and scores of forms are virtually unreadable. Recently their ponderous prose was deemed to be an unavoidable hazard of life. But during the past two decades a number of banks, insurance companies, and other businesses that depend on a steady supply of consumers looking to enter into legal contracts have had to question the assumption that language of the law must remain incomprehensible.

standable, whereas the old prospectus disclosed everything in language which was difficult to understand."

**Attracting customers.** Other companies, among them banks and insurers, look to translation of their legal documents into English as a way of brightening their image and competing for customers. "It gives us an image of openness, that we're not trying to put anything over" on consumers, asserts Waverly G. Smith, president of St. Paul Fire & Marine Insurance Co.

The difference between the old language and new in St. Paul's policies is marked. In a section of a personal liability catastrophe policy dealing with the obligation of the insured to take certain actions in the event of a claim, the old policy reads: "No action shall lie

## Banks and Insurers slice the ponderous prose from their most-used contracts

had converted applications for eight widely used depositor agreements, including the all-in-one checking account form and applications for BankAmericard and Instant Cash.

**Aggravating borrowers.** Redrafting has not been limited to language simplification. It is also a "cleansing process," says Alan M. Siegel, whose New York design firm, Siegel & Gale Inc., has become a major consultant in the redesigning and rewriting of forms. "We found inconsistent passages and other provisions that appalled companies when they realized what was in their documents," Siegel notes. He cites a clause in one loan agreement, for example, that allowed the bank to declare default if the bank felt "insecure."

Citibank's Fulsenfeld says that the bank deliberately gave up legal protection where a statistical review showed that certain clauses, such as those permitting assignment of wages, were not used often enough to warrant retention. At the Bank of California (which began to convert some forms last March), Vice-President Richard W. Selberg, manager of the consumer loan division, says that loan applications "had a tendency to aggravate the quality borrower." Questions that appeared irrelevant to people who planned to pay back were deleted, such as "Have you ever filed for bankruptcy?" or "Where is your nearest

relative?" Redrafters also found a number of clauses that appeared to be meaningless.

"Going through our prospectus word for word, no one remembered why some of the words and phrases were actually included," Hamer Budge recalls. The use of jargon stems from a misconception that legal language is precise; in "many, many cases this is absolute nonsense," declares David Mellinkoff, professor of law at the University of California at Los Angeles. He has been arguing, since the publication of his now-classic *The Language of the Law* in 1963, that lawyer's language should more closely resemble normal layman's speech.

**Opening loopholes.** But making these changes is not always trouble-free. L. Richard Fischer, a lawyer with the San Francisco firm of Morrison & Foerster, which Crocker retained to do its redrafting, says that "if you eliminate the boiler plate, you reopen the loopholes." He cites as a particularly thorny and still

### **The use of jargon stems from a misconception that legal language is precise**

unresolved simplification problem the method of describing the responsibility of two people, both of whom are parties to a transaction. The standard phrase fixing liability is "joint and several." The bank's marketing department did

not like that wording, Fischer says. Now the form reads "both of you are responsible (for payment) and each of you is liable (in case of non-payment)."

Whether a court would treat that sentence as equivalent to the traditional phrase is not clear. "We're not going to know until someone challenges us," Fischer says. But the chances are that most challenges will not stand up. Fulsenfeld says that Citibank has had no legal difficulties with its new phraseology in nearly two years of use.

So far the changes have been prompted with an eye to the market, not to government. Some state legislators have discussed passing laws requiring simplified forms, but "this legislation would be crippling for what we're doing," says St. Paul Fire's Waverly Smith. "I don't know how they can stipulate and legislate what new documents should be used." Ironically, the major unfavorable reaction to St. Paul's efforts has come from some state insurance departments. "They think it's a newfangled trickery," Smith says.

Managements at many companies at first were reluctant to change. But, notes William Koster, associate general counsel of First Bank System Inc. in Minneapolis, "Once we demonstrate that the way things were done before isn't the only way they can be done, the resistance subsides." ■

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# The Case Of The Contrary Curve

## Property & casualty insurance is such a disaster how come the stocks are rising?

ES ARE you paid 15% to 25% to insure your car last year, your premium is apt to go up. The property & casualty insurance companies are pressing their regulators for another round of increases as big as those they won

ces are you are grumbling. Down on Wall Street, they love badly depressed property & stocks have risen 74% from 1974 lows, according to the best Co. insurance stock index. September, following a summer setback, they've gone up 10%. Kemper Corp. and Ohio, for example, have about since late 1974.

port, at a time when the press full of bad news about the in-the stock market is already discussing a major turnaround.

### Company

Companies are coming off two worst years ever. They lost on underwriting in 1974 after \$4.2 billion in 1975. The biggest losers were two star performers, Sears, Roebuck & Co. and Allstate Insurance Co. and

ton-based Government Employees Insurance Co. GEICO is in a really bad shape and is said to be looking for a merger to bail out.

things have blasted property company earnings in the last few years. One was inflation and in securing rate increases to. This was especially true in auto insurance, which makes up \$21 of the industry's \$50 billion in losses, or just over 40%. Prices of parts—the fenders, bumpers, etc. banged up in auto accidents have gone up more than 50% in the last few years (see box). That's twice as fast as consumer prices. Smart negligence lawyers have been even more skillful in

wringing sock-the-insurance-company awards from sympathetic juries. Hospital costs and home repair costs have risen sharply too. As a result, the property & casualty companies' so-called "combined ratio" of expenses and insurance losses rose 107.7% last year. That is, they lost almost \$8 on every \$100 of premiums.

The second downbeat item was the sick stock market that prevailed in 1973 and 1974, when price multiples sank to rock-bottom levels. Property & casualty companies count on investments to produce a big chunk of added income on top of underwriting results. And they invest far more heavily in common stocks than their life insurance cousins. During 1973 and 1974 many of them were forced to take huge unrealized losses on their stock portfolios—Aetna Life & Casualty \$549 million, for example, Travelers \$430 million and St. Paul Cos. \$212 million. This reduced their surpluses to levels considered dangerous at a time when underwriting losses were also beginning to drain capital. Quite a few companies found themselves with only \$1 of surplus to back up \$4 or \$5 of premiums; a 1-to-2 ratio is considered safe.

Finally, the insurance companies have been hampered by the onset of no-fault insurance, which was thought to pave the way to lower claims settlements by eliminating litigation. Under no-fault, now in varying forms the law in 25 states, a company settles with its client regardless of fault. But there have been two unhappy side effects. Companies with good risk selection, GEICO among them, have been penalized. They are paying claims which they would probably not have had to pay under the former tort (or "fault") system, since their customers are less often at fault. Also, insureds are often suing for additional damages even after they have been awarded initial settlements. So writ-

ten are the no-fault laws that in many states an insured can do this if medical costs exceed a certain level—the negligence lawyers' lobbies saw to that. In a populous state like New York, the so-called "threshold" is only \$500 in medical costs—which can be reached after only a couple of days in the hospital.

Now all of these problems, if not eliminated, have been materially corrected. Most important was last year's round of rate increases, which averaged over 20% for the industry as a whole. Allstate, the second-biggest auto insurer, put through increases averaging 12% between November 1974 and June 1975, another 8% in the second half of 1975 and is pushing for yet another 12.5% in the first half of this year. "The rate relief has been massive," says Leandro S. Galban Jr., insurance analyst at Wood, Struthers & Winthrop. "And the interesting part is that the effects have not yet shown up that much in earnings or even in premiums earned. It will come through more and more as policies come for renewal at the higher rates. So whatever happens to this year's additional rate requests, there will be substantial earnings improvement from last year's increases."

### Critical Factor

Inflation, too, promises to let up from here on, say the analysts. To White Weld & Co.'s highly respected analyst, Allerton Cushman, this is "the critical factor." The inflation rate for the entire economy has now come down from 12% in 1974 to 7% for all of last year. "We have to believe that crash part prices won't escalate anywhere near the way they have in the last couple of years," says William A. Pollard, president of Reliance Insurance. "Given any luck on inflation, I am reasonably confident that the companies can get back to break-even on underwriting by next year," says Allerton Cushman.

Meanwhile, the investment side is improving, too. Last year, fortunately, the stock market was strong and so were interest rates. As a result, in-



vestment gains of \$8 billion were sufficient to more than cover the industry's \$4 billion underwriting losses and rebuild depleted surpluses. Says Wood, Struthers' Galban: "Companies that were down to 4-to-1 and 5-to-1 in premiums written to surplus are now relatively well off at 2½-to-1."

Some analysts think that this highly

leveraged industry will produce some sensational profit results—enough to restore underwriting earnings to the black by next year. That, on top of investment income, in the view of one analyst, could bring total earnings gains of 50% to 100% this year and next. There are still some "ifs," of course, chiefly about inflation and

about the effects of no-fault. "Nobody really knows exactly what's happening there," says Cushman, "but the recent rate increase will help."

If it isn't too late you might think about softening the blow of your higher auto insurance premiums by putting some money into the company's stock at the same time. ■

## Who's The Villain?

THERE'S SOMETHING slightly undignified about a \$50-billion industry hurling accusations at a \$75-billion industry—especially at a time when business as a whole is under fire from the outside. Nevertheless the casualty insurance companies are angry enough at the auto companies that they are accusing them of a big ripoff on the price of repair parts.

State Farm Mutual, one of the biggest auto insurers, has been keeping score. Its "crash parts index" shows that prices of the parts most frequently replaced after collisions were raised 47% in 1974-75 (see chart). By contrast, new car prices went up only 14%, according to the Bureau of Labor Statistics.

"It seems to be coincidental with the decline of new car sales from 1973 on," says Wayne Sorenson, State Farm's vice president for research. "I don't think we can prove a cause-and-effect relationship, but there is certainly an associative relationship."

Crum & Forster, another major underwriter, has published a series of newspaper ads showing the rise in the cost of repairing a 1973 Chevrolet Malibu. According to Crum & Forster, a hood rose 42%, from \$127.50 to \$180.50, a front fender went up 21%, from \$135.80 to \$164.80.

"There is no basis for these allegations," sniffs Michael Meehan, boss of General Motors' service parts operation. Replies Philip Benton, general manager of Ford's parts and service division: "Our pricing actions on crash parts reflect large cost increases." "We have lots of problems with the insurers' statistics," says Morris Goldman, a GM staff economist. "For one thing, we came off price controls in April of 1974, and we had some catching up to do. We've also put a lot of quality improvements into cars, like improved bumper systems and catalytic converters. The Bureau of Labor Statistics' figures are adjusted for these quality changes, while the insurance company statistics are not."

Both GM and Ford have prepared their own auto crash parts price indices, which, predictably enough, prove that crash parts prices have been going up very slowly.

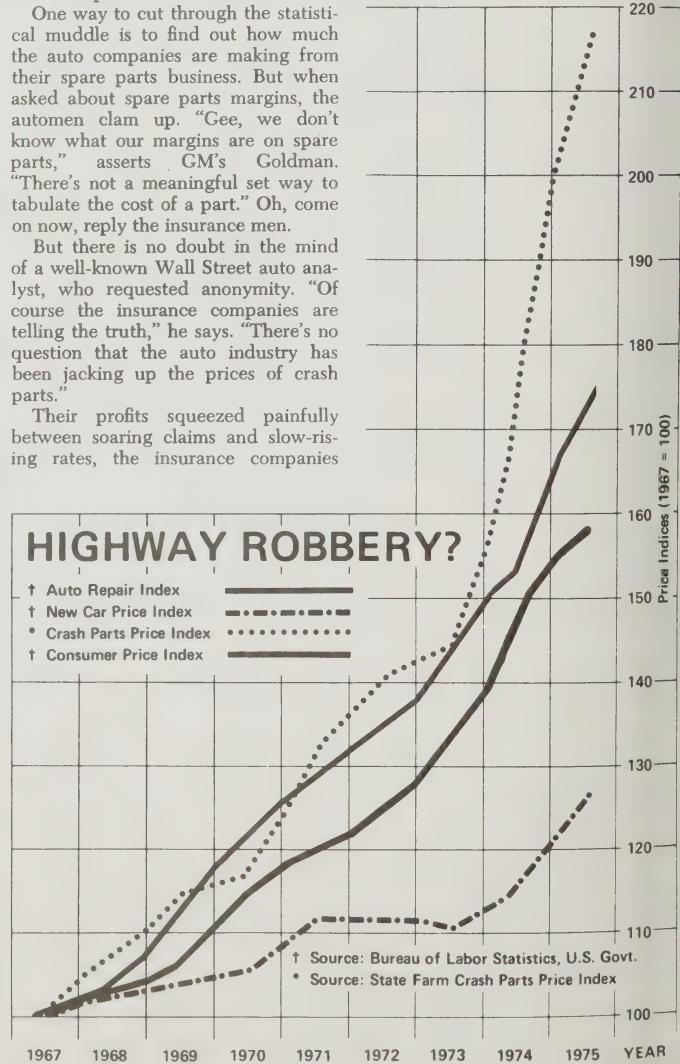
Replies State Farm's Sorenson: "They're correct when they say that our index does not include any quality adjustments. The reason for that is that with one possible exception, the impact-absorbing bumper, there really have been no improvements in the crash parts."

One way to cut through the statistical muddle is to find out how much the auto companies are making from their spare parts business. But when asked about spare parts margins, the automen clam up. "Gee, we don't know what our margins are on spare parts," asserts GM's Goldman. "There's not a meaningful set way to tabulate the cost of a part." Oh, come on now, reply the insurance men.

But there is no doubt in the mind of a well-known Wall Street auto analyst, who requested anonymity. "Of course the insurance companies are telling the truth," he says. "There's no question that the auto industry has been jacking up the prices of crash parts."

Their profits squeezed painfully between soaring claims and slow-rising rates, the insurance companies

ashed out and criticized the auto business. But their prime target still the greedy negligence lawyers and bleeding heart juries—both of whom cost the insurance-user even more than auto repair parts do.





# VARIABLE LIFE INSURANCE— a new kind of policy

**V**ARIABLE LIFE has been in the talking stage for several years, and now one of the big companies, Equitable Life Assurance Society, New York, has finally put it on the market.

The idea is to combine life coverage with an investment in stocks as a way to keep insurance protection abreast of inflation. Aetna Life & Casualty Co. has been selling one version of variable life for several years but only on a group basis. Equitable is the first to obtain the approval of the Securities & Exchange Commission for a policy that can be sold to individuals. Other companies are expected to come out with comparable policies next year.

One of the important innovations of the Equitable variable life plan is the way it is sold. The SEC considers the policy a security and regulates it accordingly. As a result, the company must give you a prospectus like those distributed with mutual funds and new stock issues.

The prospectus provides more information than buyers have ever received with regular life policies, which are subject only to state regulation. For example, the Equitable document contains the sales commission rates for agents and a detailed accounting of the company's administrative charges.

## The way it works

UNDER EQUITABLE'S variable policy you pay a fixed annual premium that assures you a certain minimum

Its purpose is to help you hedge against inflation. Will it?

amount of insurance. Most of the premium, though, is invested in a "separate account," which is essentially the company's own internal mutual fund consisting largely of stocks.

If the separate account earns more than 3% over a 12-month period, including dividends and price changes, your death benefit is increased for the following year. If the account's total return dips below 3%, the death benefit of the policy is reduced. However, it can never drop below the guaranteed minimum with which you started.

The cash value, which is the sum you are entitled to if you surrender the policy, also rises and falls according to returns on the separate account. But the company does not guarantee any minimum amount of cash value, as it does with ordinary whole life policies.

Equitable is offering, at higher premium rates, an "increasing-protection" variable policy, whose guaranteed face amount rises by 3% a year for 14 years and thereafter remains constant at 50% more than the starting sum. For instance, a policy with a \$50,000 guarantee rises to \$75,000, regardless of the separate account's investment performance. The death benefit

and cash value are increased when the separate account earns more than 3% (compared with 3% in the other policy) and reduced when it earns less. The death benefit can't be cut below the minimum and cash values are not guaranteed.

The policyholder may borrow up to 75% of the cash value from the company at 4% interest on the flat-amount policy and at 5% on the increasing-protection plan. The company shifts an amount equal to the loan from your credit in the separate account to another account. The segregated sum is presumed to earn only the break-even return—3% on one policy, 3% on the other. If the separate account earns more than 3% or 3%, therefore, you lose those additional earnings. That means, in effect, that the death benefit and cash value will not increase as much as they would if you didn't have a loan.

In both variable and ordinary policies the unpaid balance of the loan plus interest is deducted from the amount paid to beneficiaries if the policyholder dies before repaying the debt. In ordinary life policies, though, you are usually permitted to borrow almost all of the cash value, and the loan does not otherwise affect the face amount of insurance or the cash value.

Other features of Equitable's variable policies worth noting are these:

The buyer can exchange the policy for a regular cash value policy within 18 months without having to meet medical standards.

If the policyholder surrenders the policy or allows it to lapse, the cash value can be used to purchase paid-up regular whole life insurance for a lesser face amount or term insurance equal to the current death benefit of the original policy for as many years as the money will buy. Term is the kind that does not accumulate cash values. The cash value can also be taken out in the form of an annuity.

Equitable's variable policies do not rebate part of the annual premiums as dividends. That's not necessarily a drawback because insurance companies normally charge higher premiums for dividend-paying policies in anticipation of making those rebates. And although insurance companies try to live up to or exceed their dividend projections, dividend payments are not guaranteed.

#### **How it compares**

SUMMED UP, the variable life policy provides a backstop of guaranteed insurance plus an opportunity to capitalize on any substantial price gain in the stock market.

Whether that combination represents an improvement over existing types of insurance depends on a number of unknowns, such as the future earnings of

the separate account, when you die, whether you borrow against the policy and so on. The following table compares the face amounts and cash values that a man of 25 can buy with a \$500 annual premium under three different plans.

The VLI columns show flat-amount variable policies with assumed 4% and 8% returns on their separate accounts. Both have a guaranteed death benefit of \$36,233.

The D columns show figures for a dividend-paying ordinary life policy paid up at age 75. The dividends are used each year to buy fully paid-up insurance of the same kind as the underlying policy.

The ND columns show a nondividend ordinary life policy.

<b>death benefit</b>				
<b>end of policy year</b>	<b>4% VLI</b>	<b>8% VLI</b>	<b>D</b>	<b>ND</b>
<b>1</b>	\$36,233	\$36,264	\$29,691	\$43,891
<b>10</b>	36,356	38,893	34,032	43,891
<b>20</b>	36,699	47,820	42,720	43,891
<b>at age 65</b>	37,852	93,151	69,010	43,891
<b>cash value</b>				
<b>end of policy year</b>	<b>4% VLI</b>	<b>8% VLI</b>	<b>D</b>	<b>ND</b>
<b>1</b>	\$ 160	\$ 169	\$ 297	none
<b>10</b>	3,856	4,780	5,048	\$ 4,345
<b>20</b>	9,214	14,393	13,724	11,675
<b>at age 65</b>	22,071	60,781	45,017	25,106

Clearly, the separate account has to earn a fairly sizable return to make the variable life policy attractive. Stock market records aren't much help in assessing your chances of achieving that return.

Over the past 50 years common stocks have shown a 9% compound annual rate of return, counting both dividends and price changes. But during the ten-year period 1966-1975, the 500 stocks in Standard & Poor's index rose at a much slower rate, 3.3% a year. (The cost of living index climbed at a 5.7% annual pace during the same period.)

More significant, A. S. Hansen, a Chicago actuarial firm, estimates that, on the average, insurance companies' equity separate accounts—those invested primarily in common stocks—returned only 1.4% a year over the ten-year span.

Variable life was not designed as an all-purpose type of insurance. Harry Walker, president of the Equitable subsidiary that is selling the variable policies, believes the new product will appeal to 10% to 15% of prospective insurance buyers. As he candidly points out, you should not be in that number unless you have faith that stocks will do a lot better than they've done over the last decade.

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# ALTERNATIVES

## This Is Your Life Insurance

By Mike Ross

INSURANCE. Sometimes called life insurance as if the changing of the prefix will induce immortality. At any rate necessary, it's expensive and Canadians love buying it. So much so that between 1970 and 1974 the face value of policies sold to individual Canadians grew from \$9 billion to more than \$6 billion, bringing the total in force to \$150 billion. Statistics Canada estimates that average household carries \$23,000 in insurance, and that puts us among the most insured people in the world.

Not only is insurance expensive, it's confusing. So let's investigate: your needs, policies, the companies, the agents. Obviously, you must first consider how much insurance you need. The amount you buy should reflect the difference between the assets you now have and the ones you hope to accumulate in your lifetime or by retirement age. For example, suppose you are a 35-year-old, married couple of two. How much insurance you need depends upon such factors as: Do you want your children to go to college? What standard of living do you wish to provide for your family? Is yours the only one in the family? Let's assume that working it out you need \$100,000. Now add up your assets, i.e. house, car, money in the bank, bonds, a group pension plan at work. Subtract this sum (say \$20,000) and you arrive at \$80,000 insurance needed.

There are basically two kinds of insurance: term (pure protection) and cash value (protection and savings). Term policies ensure that, if you die while your policy is in force, your beneficiary will receive its face value. Cash value policies are known as "endowments," "whole life," "limited payment life," et cetera, while accomplishing the same end, add a guarantee that your policy will return to you a certain amount of money at designated intervals in the future, should you choose to terminate it. The annual premiums for cash value policies can range as high as ten times those for term.

Term insurance gets its name from the fact that the policy's duration is limited to a specified number of years, usually one, five, 10 years or in some cases to ages 65 or 70. Term is the lowest cost insurance and can be either "level" or "decreasing." In level term, the face value of the policy, or the amount of coverage, remains constant for the duration of the policy. In decreasing term, the face value decreases each year. For instance, in a \$10,000, 10-year term policy the amount of coverage would decrease by approximately \$1,000 a year. Because the company's liability to you, should you die, is less each year, decreasing term is less expensive than level.

Cash insurance policies can also be "renewable" or "convertible." In renewable term, the company guarantees that until age 65 you may renew your

policy after it has expired without providing evidence of insurability. If your policy is nonrenewable, and your health is not good, then neither are the chances of your being able to buy another policy. Obviously, renewable term is more costly. Convertible term simply means that up to a certain age, usually 55, you can convert your term policy to cash value.

Cash value policies are so called because in addition to providing death benefits they provide what is loosely referred to as a "savings" element. This means that as long as you continue to pay your premiums the company puts aside an ever-increasing cash reserve. Should you terminate your policy at any point after about two years you are entitled to whatever cash has accumulated. The cash value is very low for the early years and then builds.

The biggest seller is "ordinary" life insurance, also known as "permanent," "whole life," or "straight." This policy usually runs to age 100. Most people cash in their policies at retirement and this retirement nest egg is its main attraction. "Limited payment life" is the same except that, rather than paying annually to age 100, you make the payments over a limited number of years. Paying this way is more expensive.

The other popular form of cash value policy is endowment. Here you pay for a specified number of years at the end of which the company gives you the face amount of your policy.

While it is ultimately up to you to decide whether term or cash value best suits your needs, here are some points to consider.

- Cash value is claimed by the industry to be an excellent method of forcing you to save money because if you cease paying your premiums you lose your insurance coverage.

- If you cannot save money systematically by any other means, then cash value can be a good idea. Otherwise, buy term insurance and invest the difference. Life insurance pays a lower return on your dollar than other investments and even then you must hold the policy for a very long time.

- Although cash value is alleged to be such an excellent method of saving money, 25 percent of ordinary life policies lapse (the person fails to continue payments) within the first year and the average length of time that these policies are held is only seven years. In the first instance there is no cash value at all and in the second a pitifully small amount.

- While a young buyer might be impressed by the promise of a \$20,000 cash value if he holds his policy until he is 65, he should remember that inflation will have ravaged the purchasing power by that time.

- The most important drawback of cash

value insurance is its cost. Because the premiums are so much higher than for term, most persons cannot adequately insure themselves.

Once you have decided which sort of policy best suits your needs, turn to the *Stone & Cox Life Insurance Tables* (available at bookstores) and make a list of companies selling this policy at low cost. Here is an example of the price disparity between two Canadian companies, taken from the 1974 edition of the *Stone and Cox* book.

The policy is a \$25,000, nonparticipating, term to 65, purchased at age 25. Company A charges \$193.25 the first year (this includes the initial policy fee of \$10) and \$183.25 annually thereafter. Company B charges \$143.75 the first year (policy fee of \$20) and \$123.75 annually thereafter. The difference in premiums over the course of the policies is \$2,370. If the difference saved by purchasing company B's policy was invested annually at 5 percent for the 40 years it would yield \$7,180.08, or \$15,407.79 if invested at 8 percent.

Bear in mind also that there are other places where you may buy insurance: credit unions, professional associations, trade unions. While they may be limited in the amount of coverage or variety of plans available, they are usually cheaper.

When you have found the right policy at the right price you are ready to deal with the life insurance agent.

- Keep in mind that you are buying life insurance, not investing in the agent's personality.
- The services other than insurance offered by the agent or his company should not be a major consideration.
- Have the agent draw up in writing the best financial plan or policy that his company has to offer in accord with what you want. Repeat this process with several other companies. No reputable agent will mind preparing this information for you or allowing you to think it over alone.
- Stay clear of agents who refuse to answer your questions because "it's too complicated for you to understand," insist that you sign the contract immediately; offer to pay part of your premium or refuse to discuss term policies on the pretext that cash value policies are "the real thing."

If you have complaints, get in touch with either the provincial or federal superintendent of insurance. If you want more information, two good books are the *Consumers Union Report on Life Insurance: A Guide to Planning & Buying Needed Protection* (1967), by the editors of Consumer Reports magazine, and *What's Wrong with Your Life Insurance* (1963), by Norman F. Dacey.

Mike Ross is a Montreal writer.

"This is Your Life Insurance", by Mike Ross, reprinted with permission from *WEEKEND Magazine*, July 3, 1976.



# Reference/further information

Reference/further information



Financial institutions division

- this division, under the superintendent of insurance, is responsible for insurance companies, trust companies and loan corporations incorporated under the laws of Ontario.
- licenses all insurance companies, trust companies and loan corporations as well as agents, brokers and adjusters.
- examines financial stability, management and ethical conduct of companies in Ontario.
- investigates complaints.
- works to ensure firm and equitable treatment for all Ontario residents dealing with registrants and licencees.
- administers The Ontario Insurance Act.
- 555 Yonge Street, Toronto, Ontario.

Pension Commission of Ontario

- regulates the pension industry.
- requires adequate funding and adherence to sound principles.

Canadian Life Insurance Association

44 King Street, W.                            Hot Line: 1-800-261-8663  
Toronto, Ontario M5H 1E2                    (Dial all numbers)

Canadian Association of Accident & Sickness Insurers

1240 Bay Street  
Toronto, Ontario M5R 2A7

Insurance Bureau of Canada

170 University Avenue  
Toronto, Ontario M5H 3B3



# Tips you can use!



# How to Write a Complaint Letter

- be factual
- don't be apologetic
- don't threaten
- keep your sense of humour and you'll get the reader on your side
- include the following information:
  - a. Your name, address and telephone number.
  - b. The name of the offending company and its address.
  - c. Make of product, model year if applicable, and warranty number if it is a warranty complaint.
  - d. A brief description of what took place on what dates, and what was done to solve the problem.
  - e. A brief account of the cost to you including money, time lost from work, cabs, buses, and getting repairs or assistance elsewhere.
  - f. Copies of work orders, letters, receipts, or other written material between yourself and the company. Never send originals -- get them copied.
  - g. Briefly describe the conduct of the person you dealt with. It is not necessary to be too explicit -- the term "offensive language" will cover a multitude of sins.  
Include how the complaint was received, their willingness to talk things over, their efforts to resolve the problem.
  - h. Address your complaint to the top. Find out the name by calling the company and asking.
  - i. Send copies to government agencies or consumer groups which might be able to help. List them under the heading: "Copies to" at the bottom of your letter.  
See "Help!"

j. It is important that your letter goes to the right person. Take some time to find out who that person is, and take the time to write it well.

# The Speaker in the Classroom

## Checklist for the Teacher

### Picking a Speaker

1. Pick a model. 'This person represents the banking industry'.
2. Pick someone who knows his or her subject, is willing to be flexible, likes young people and wants to help.

### Preparing

3. Try to avoid having a speaker talk to the whole school at once. Such large numbers make a real exchange of information almost impossible.
4. Survey the class. If possible, have them prepare five or six questions they want answered.
5. Be prepared to give the speaker, verbally or in short notes, a lesson plan which details exactly the material you would like covered.
6. Be careful to give the speaker enough notice to allow preparation.
7. Some notes for the speaker are enclosed. You may wish to give the speaker a copy when you first speak to him or her.
8. Call the speaker within a few days after your initial talk. He or she will have had time to think things over, read your notes and make some mental plans. A short discussion with you now can clarify the speaker's thoughts and get them moving.

# Notes for the Speaker

## When You Are Talking With The Teacher

1. Find out who you will be talking to -- a class or the whole school? Where? The home room or a gym?  
It is the difference between a talk by you and a discussion with them.
2. Find out what the teacher doesn't know about the subject. You are needed to provide new materials as well as a new face.
3. Find out what the class and the teacher really want to know.

## Preparing

4. Limit yourself to 15 minutes of input. This can be spread out with questions mixed in if the group is small enough.
5. Booklets or anything you can hand out serve to focus attention on your subject, remind them once you've gone.
6. If the students have been studying the topic, they will be prepared with questions for you. Then you can deal more specifically with the topic.  
If they have not been studying the topic, give an overview.
7. Remember that a speech is listened to as music is heard -- it flows, certain parts stand out, but there is not time to stop and run over in your mind the last few bars. The player has moved on! The waltz has become a rag, and you must stay with him or stop listening altogether.  
Because of this, give only the highlights of your subject. This is especially important if you are speaking to a large group, because it is difficult to

get a 'give and take' going. With a single class your questions will bring out answers and further questions, until the class has covered far more detail than you would have thought possible.

## Arrive Ahead Of Time

### When You Are Faced With The Class

#### Ways of Getting Started

8. Find out what they've been doing so far. Ask them questions, not just on the subject matter but on their approach to the subject in school.  
Don't give out a lot of material at this point. Try to tune in to where they are -- find out what they want to hear.
9. Alternately, you might explain who you are, where you are from. Give little facts about yourself, like "Yes, I am married. I'm \_\_\_ years old." This fits you into a framework, makes you a person and satisfied their curiosity about you. Now they can relax and pay attention to the subject on which you have come to speak.

#### Ways to Keep On

10. Don't be too established in what you are going to say. No written text. If anything, a few notes on large points to cover.
11. If you have a gimmick, now is the time to spring it on them. It will draw their eyes away from you and focus the conversation on something they can see and feel and relate to.  
(A speaker on environment control brings a bag of garbage to some classes. At this point, he spills it onto the floor. This kicks off discussion on the things people throw away, and eventually gets back to his point.)

12. Continue using questions to keep them with you, part of the discussion. Use questions to introduce new angles: "Now what do you suppose would happen if .... Does anyone know where to find .... How would you go about ...." Get to new levels of thought by building on questions and answers. They know the answer -- you just have to learn to ask the right question!
13. Keep it activity oriented if possible. In class groups, skits are possible.  
(Same environment control speaker: "I'm a Beckers manager and you are a customer who doesn't want to buy non-returnable bottles. But I only stock non-returnables. What would you do?" Ask for volunteers. Repeat with one or two. Don't be afraid to stop the skit and replace the volunteer if it isn't working. Pretty soon they're suggesting other approaches. This gets them interested and gives them something they can do -- a way they can act on the knowledge you have brought to them.)
14. Give them a new skill.  
How to make an ecology system, how to talk to a Beckers manager, how to open a bank account, how to open a safe, how to complain when they see unfair practices, etc.
15. Audio visuals are often useful. Keep films short - 12 to 15 minutes. Slide shows are useful, but they must be relevant. You could liven them up by encouraging discussion during the viewing. Turn off the sound and start asking questions related to the material on the slides.
16. A good ratio: 50/50 informative talk and questions.

## **Other Skits and Questions for Ideas**

A Banker. "I am walking into a bank. There's a security guard. The teller is over there. That's where you draw out money. The information people are behind another counter. In the back is the vault, etc." Describing the scene graphically.

"Okay. I'm a teller and you want to open an account."

"How much money do you think is really kept in a bank?"

Tell them about bank robberies. This leads to safety precautions. How quickly could the police get there?

Would they want to be a bank manager?

Describe what people do in a bank.

Show a bank book and discuss why they should have a bank account.

How banks control the economy of the country.

Interest rates.

Legislation regarding banking.

How to take out a loan.

What is credit?

Car Dealer. "I'm the salesman and you want to buy a new car. What's the first thing you want to know?"

Lawyer. "A man comes into the office and wants to sue his neighbour for libel. What do you do?"

Speaker on Business Practices. "I'm the clerk and I've sold you this wristwatch. Now it's not working. What do you do?"

"I'm a door-to-door salesman, and I'm going to sell you something. Just open the door when I knock on it."

## Sources of Free Pamphlets

The following list gives names and addresses of agencies that have indicated their willingness to provide free pamphlets as resource materials. Contact them directly for copies of the pamphlets.

### Bank of Montreal

First Canadian Place  
Toronto, Ontario M5X 1A1

- Banking Forms

### Better Business Bureau

85 Richmond Street West  
Suite 900  
Toronto, Ontario M5H 2E7

- Series - 16 books

### Canadian Association of Broadcasters

1240 Bay Street  
Suite 302  
Toronto, Ontario M5R 2A7

- Broadcast Code of Advertising for Children
- Canadian Code of Advertising Standards
- Advertising Today
- Code of Consumer Advertising
- Practices for Non Prescription Medicines

### Canadian Bankers Association

Box 282  
Toronto Dominion Centre  
Toronto, Ontario M5K 1K2

- Your Money & Credit Today and Tomorrow
- Banking for your Club

### Canadian Consumer Loan Association

21 St. Clair Avenue East  
Toronto, Ontario M4T 1L8

- It's Your Money
- Canadian Consumer Credit Fact Book - 1974

### Canadian Foundation for Economic Education

155 University Avenue  
Toronto, Ontario M5H 3B6

- Perspectives
- Rapport

### Canadian Imperial Bank of Commerce

Head Office  
Commerce Court  
Toronto, Ontario M5L 1A2

- Focus on Your Finances Series

### Canadian Life Insurance Association

15 Floor, 44 King Street West  
Toronto, Ontario M5H 1E9

- Hot Line: 1-800-261-8663
- How to Live Happily with a Price on your Head
- Sharpen your Pencil
- You & your Group
- After the Gold Watch
- That's Life
- Sunshine Sketches
- Schedule: Lively Woman TB Series
- How to Compare (Life Policies)

Canadian Securities Institute  
Box 225  
Commerce Court South  
Toronto, Ontario M5L 1E8

- Investment Terms & Definitions

Canadian Standards Association  
178 Rexdale Blvd.  
Rexdale, Ontario M9W 1R3

- The Consumer - Newsletter

Central Mortgage & Housing  
650 Lawrence Avenue West  
Toronto, Ontario M5A 1B2

- Housing for Rural People
- Loans for New Homes
- Loans for Existing Housing
- Mobile Homes
- Home Improvement Loans
- Neighbourhood Improvement Loans
- If You have Ever Dreamed of a Home of Your Own
- List of Offices

Consumer Corporate Affairs  
480 University Avenue  
Toronto, Ontario M5G 1V2

- Helping You Get a Fair Deal
- Who We Are and What We Do

The Consumer Interest  
University of Guelph  
Department of Family Studies  
Guelph, Ontario N1G 2W1

- Newsletter of current books

Thomas Cook Travel  
Toronto Dominion Centre  
Toronto, Ontario  
M5K 1K8

- Specimen Cheques & Sleeves
- Readers Digest Report
- Foreign Currency - Swiss, Japanese, Hong Kong

Credit Grantors Association of Canada  
60 Bloor Street West  
Toronto, Ontario M4W 1A2

- How to Use Consumer Credit Wisely

Eaton's  
Consumer & Corporate Affairs  
19th Floor, 1 Dundas Street W.  
Toronto, Ontario M5B 1CB

What You Should Know About  
Buying .....(Series)

Great West Life  
111 Richmond Street West  
Toronto, Ontario M5H 2G4

- What Everyone Should Know About Life Insurance

Insurance Bureau of Canada  
170 University Avenue  
Toronto, Ontario M5H 3B3

- A Young Driver's Guide to Car Insurance
- Drinking, Drugs and Driving
- Car Insurance Explained
- Home Insurance Explained
- Facts of the General Insurance Industry of Canada

Milk Marketing Board

50 Maitland Street  
Toronto, Ontario M4Y 1C7

- Teaching Nutrition Effectively (Program)
- The New 7-Day Milk Diet
- The Milk Diet Plan

Ministry of National Health & Welfare

Ottawa, Ontario  
K1A 0K9

- Disability Benefits under the Canada Pension Plan

Ontario Co-op Development Association

Suite 8  
14 Nelson Street West  
Brampton, Ontario L6X 1B6

- Co-ops are People Series

Ontario Food Council

1200 Bay Street  
9th Floor  
Toronto, Ontario M5R 2A7

- Guide to Good Eating
- Frozen Foods

Ontario Real Estate Association

99 Duncan Mill Road  
Don Mills, Ontario M3B 1Z2

- A Career in Real Estate - Is it for You?

Ontario Ministry of the Attorney General

Publications Centre  
3B-7 Macdonald Block  
Queen's Park  
Toronto, Ontario M7A 1N8

- Your Rights & Obligations Under the Landlord and Tenant Act

Ontario Ministry of Consumer & Commercial Relations

Ontario Consumer  
Queen's Park  
Toronto, Ontario  
M7A 2H6

- Interaction
- Booklets
- Organizing a Co-op in Ontario
- Ontario Consumer Newsletter
- Rent Review

Ontario Ministry of Health

7th Floor, 7 Overlea Blvd.  
Toronto, Ontario M4H 1A8

- The Ontario Health Insurance Plan - General Guide

Ontario Ministry of Housing

Community Renewal Branch  
Queen's Park  
Toronto, Ontario M7A 1N3

- Ontario Home Renewal Program

Royal Bank of Canada

20 King Street West  
Toronto, Ontario M5H 1C4

- Comparison Chart -- Sending Money out of the Country

Scotiabank

44 King Street West  
Toronto, Ontario M5H 1A2

- Banking forms

Toronto Dominion Bank  
P.O. Box 1  
Toronto Dominion Centre  
Toronto, Ontario

- Code of Advertising Practice

Toronto Stock Exchange  
234 Bay Street  
Toronto, Ontario M5J 1R1

- List of publications and reports
- Ticker tape and all that

Unemployment Insurance Commission  
and Manpower Canada

890 Yonge Street  
Toronto, Ontario  
M4W 2J2

- Rights and Obligations
- Illness
- Maternity
- Students

Unity Bank of Canada  
85 Richmond Street West  
Toronto, Ontario M5H 2C9

- Banking Forms





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